

FOCUS | NRN

Upscale burger chains grapple for place in untamed niche

By David Zuckerman

Fueled by an aging baby-boom generation's desire to step up from fast food, a host of aggressive, expansion-minded operators have begun to cross swords in earnest this year as the battle to dominate the emerging upscale hamburger segment intensifies.

While McDonald's, Burger King and Wendy's wage burger wars on a national scale, a new wave of contenders led by such chains as Chili's, Flakey Jake's, Fuddruckers and Red Robin are attempting to redefine the marketplace.

Eschewing the prepackaged offerings of their fast-food predecessors, these so-called "gourmet" hamburger chains have staked out a niche at the midpoint between trendy casual themers like Bennigan's and Houlihan's and traditional fast-food hamburger operations.

Though concepts vary—ranging from the bare-bones self-service format pioneered by San Antonio-based Fuddruckers to full-service proponents like Dallas-based Chili's—fresh ingredients, moderate pricing, limited alcoholic beverage service, a strong family orientation and potential unit volumes of \$2 million or better are common denominators.

"It's one overall market with a host of different strategies," said Charles Glovsky, vice president of Dallas-based Eppler, Guerin & Turner Inc., an investment banking firm. "They are all after the same fast-food burger eaters."

Competition from large food-service companies has further complicated the race for market share. Saga's Spoons, S&A Restaurant Corp.'s JJ Muggs, W. R. Grace's T. J. Applebee's, Diversifoods' Moxie's and Pizza Inn's J. T. McCord's are among a number of neophyte concepts flooding the marketplace.

But small independent companies, operating from bases in Texas and on the West Coast, have jumped out to a clear lead. Seattle-based Red Robin, with about 25 units, and Beverly Hills, Calif.-based Hamburger Hamlet, with 23, have each operated regionally for several years without significant competition. Chili's, Fuddruckers and Kirkland, Wash.-based Flakey Jake's, however, have emerged as the key players in the race to establish a national presence.

While these three companies—all relative newcomers—comprise little more than 100 units combined, their emergence over the past year has already sparked widespread industry speculation over the potential scope of the upscale burger segment. Further, fast-food giants like McDonald's, Burger King, Wendy's, Hardee's and Arby's have begun rolling out "gourmet" burgers of their own in anticipation of increased competition from these more-upscale chains.

Rapid expansion of these three concepts, characterized by sweeping moves into new geographic regions, is expected to take place over the next five years with more than 1,000 restaurants planned by the end of the decade.

Fuddruckers, with 50 restaurants at the end of 1984 (22 company and 28 franchised) has taken the early lead in pure numbers and has spread from Texas—where it was founded by entrepreneur Philip Romano—into California, Florida, parts of the Midwest and Ontario, Canada. About 50 franchised units and 25 company-owned stores are targeted for each year between now and 1990.

A more modest expansion scenario is professed by Chili's, which operated 35 restaurants at the end of 1984 and plans to add about 10 more by mid-1985. Growth over the next five years is expected to occur at a rate of about 50% per year.

From its base in Dallas, Chili's, like Fuddruckers, has targeted California and Florida for major unit buildup this year. Expansion is also under way into the Denver market.

For Flakey Jake's, which will meet Fuddruckers head-on in the Chicago market this year, 22 units were in operation by the end of 1984 (15 company-owned and seven franchised). An additional 70 restaurants are planned for the end of 1985 with franchising playing a significant role in the chain's growth.

Already, Flakey Jake's has commitments for almost 400 franchised stores over the next five years with an impressive list of franchisees that in-



Chili's plans to add 10 more units by the end of 1985, most targeted for California and Florida markets.

cludes Pizza Hut founder Frank Carney, Long John Silver's co-founder Jim Patterson, Godfather's Pizza founder Willy Thiesen and Horn & Hardart chairman Barry Florescue. (Both Carney and Patterson hold sizable equity positions in the company and are members of Flakey Jake's board.)

While literally hundreds of small regional restaurant chains over the years have failed in attempts to expand nationally, Fuddruckers, Chili's and Flakey Jake's have captured the attention of observers both within and outside the food-service industry. With average checks in the \$5 to \$7 range and annual unit volumes already exceeding \$2 million at some locations, the three chains appear tailor-made for current demographic trends.

Chili's, which last year cast off the "gourmet" hamburger label in favor of a broader-based family restaurant orientation, offers a varied menu that relies on hamburgers for less than 50% of total sales.

On a year-to-year basis, Chili's has

sales, according to the company. In a casual atmosphere that features full table service, customers can choose from among a host of salads, appetizers and side dishes and a variety of Mexican items including tacos, chili and chicken and beef fajitas. The average per-person check runs about \$6.50, while liquor accounts for some 20%-25% of sales.

Founded by entrepreneur Larry Lavine—who has since stepped aside—Chili's boasts a strong, experienced management team headed by Norman Brinker, the former force behind Pillsbury's S&A Restaurant Corp. Since joining the company in 1983, Brinker has attracted other S&A executives to Chili's including Hal Smith, who has replaced Lavine as the chain's presi-

vestment for franchisees.

With its own butcher shop and bakery in plain view of the customer, Fuddruckers' mainstay is the 8-oz., freshly ground burger served on a baked-in-house bun and garnished with fresh ingredients. Cafeteria-style service and a bare-bones interior designed to amplify the chain's on-premises preparation are its hallmarks. A ½-lb. hamburger and a grilled chicken sandwich have recently been added to the menu to increase appeal to women and children.

Management strength, however, presents a question mark as Fuddruckers prepares to embark on a major unit expansion drive. Founder Romano has stepped aside and operations head Douglas Wheeler has moved to rival Flakey Jake's, leaving the company in the hands of William Baumhauer, who is virtually untested in running a large restaurant chain.

"Fuddruckers does not appear to have the operations expertise of Flakey Jake's or Chili's," said Steven Rockwell, an analyst with Alex Brown & Sons, Baltimore. "They have been locating their units on very expensive real estate in some markets and poor locations in others. Fuddruckers' stores appear to need tremendous volume to thrive."

Beginning as a virtual carbon copy of Fuddruckers, Flakey Jake's has followed Chili's lead in broadening its image from strictly an upscale hamburger operation to a family-oriented restaurant chain.

Under the strong leadership of former Sambo's and Chart House (now Diversifoods) chief Robert Luckey, Flakey Jake's recently slashed prices on its hamburgers, added a host of lighter nonbeef items to its menu and de-emphasized liquor to less than 10% of the sales mix. In addition, the chain has added an enhanced bakery section and separate dessert bars to appeal to children.

Units, which cost from \$1.1 million to \$1.4 million to launch, have been averaging about \$1.4 million in yearly sales with newer stores producing as much as \$2.3 million in annual volumes. While Flakey Jake's is expected to post a net loss of about \$1.1 million for its fiscal year ending March 31 and may remain in the red through 1985, conceptual changes instituted by Luckey in late 1984 should begin to produce substantial profits beginning in 1986.

With Luckey at the helm, Wheeler handling operations and several experienced multiunit restaurant operators on its board, Flakey Jake's appears poised for a successful push outside of its West Coast regional base over the next few years.

"Flakey Jake's is one of the most attractive new concepts in the restaurant industry today and potentially one of the best managed companies," Prudential-Bache restaurant analyst Michael Culp said.

SELECTED 'GOURMET' HAMBURGER CHAINS

Chain	Revenues (In Millions)		Average Same Store Sales (In Millions)		Average Per-Person Check	Number of Units	
	1984	1985*	1984	1985*		1984	1985*
Chili's Dallas, Tex.	\$43.1	\$69.0	\$2.0	\$2.1	\$6.50	45	68
Fuddruckers San Antonio	25.1	75.4	1.6	1.8	5.25	50	125
Flakey Jake's Kirkland, Wash.	13.1	44.5	1.4	1.7	4.92	22	92

*Estimate

Source: NRN Research

FOCUS | NRN

Independent restaurant groups: many approaches

By Paul Frumkin

Independent restaurant groups are not putting all of their eggs into one basket these days.

Farsighted companies across the country such as Michael Weinstein's Ark Management in New York, Peasant Restaurants in Atlanta, Restaurants Unlimited in Seattle and Big 4 in Phoenix are marketing to a wide range of tastes with a number of specialized concepts that can easily be adapted and reproduced if successful.

Along with other innovative groups including Errant Enterprises, Anthony's Hawthorne Restaurants, Lettuce Entertain You, the Levy Organization, Restaurants Central and the New York Restaurant Group, these companies are prospecting a hitherto untapped market area that falls somewhere between the independent and chain dinnerhouse segments.

Like the chains, these groups desperately need to attract and hold the 25- to 40-year-old "baby-boomers" to survive in today's increasingly sophisticated and highly competitive marketplace.

Unlike the chains, however, they are shunning the previously favored cookie-cutter or theme restaurant approach for more individualized specialty operations designed to cater to a particular market or location.

"There's no mass market anymore,"

'Farsighted companies are marketing to a wide range of tastes with a number of specialized concepts.'

says Ray Lindstrom, president of the 16-unit Restaurants Unlimited Inc. "For most of us who aren't selling soap or some other generic item, we've just got to segment the product."

"If you don't market to individual components today, you're in trouble."

Restaurants Unlimited learned this lesson in the field during the late 1970's when their two English-themed dinnerhouses, Clinkerdagger's and Horatio's, began to falter.

As a result, they developed a concept which would finally be able to incorporate virtually all of the 1980's upscale dining trends—from Sashimi and freshly baked breads to California pizza and pasta. Fresh seafood would be broiled over Kiawe—a Hawaiian wood similar to mesquite—and wine by the glass would be served from a nitrogen-fixing dispenser. It was a concept they felt would appeal to young, urban sophisticates.

The first fully realized version of this

concept, the 277-seat Cutter's, took off in Seattle, and Restaurants Unlimited quickly built two more: a 257-seat Cutter's in Santa Monica, Calif., and a 348-seat Skate's in Berkeley, Calif. But while all of these restaurants have evolved from the same concept—called the "urban café"—they all differ to some extent from each other, whether in decor, atmosphere or menu.

"We can't get caught with a single concept again," Lindstrom says. "By definition, each project is individualized."

With each restaurant generating an annualized gross sales of between \$3 million and \$3.5 million, the urban café concept is the company's chief growth vehicle for fiscal 1985—during which time they expect to hit approximately \$39 million in total sales. The company expects to build four more restaurants by April 1986, with two slated for Los Angeles, one for downtown Chicago and one for Minneapolis.

But Lindstrom points out that Restaurants Unlimited is also looking for the "right type of sites" for two other less urban concepts—Triples, an upscale seafood dinnerhouse, and Simon and Seafort's, a dinnerhouse with an "emphasis on fresh fish." But like the urban café concept, neither restaurant will be reproduced exactly. "We're just not going to do that type [cookie cutter] of restaurant again," he says.

Michael Weinstein and his company, Ark Management, have been catering to an urban, upscale market in New York for the past decade, but have yet to fully reproduce a restaurant exactly. With a dozen operations under his belt—including America, Ernie's, the Saloon and Metropolitan Café—Weinstein says that he has built his predominantly New York West Side restaurant empire more "on instinct than on market study."

However, the \$30 million in sales he expects his operations to generate in 1985 is due chiefly to his ability to perfect a sprawling, café-type restaurant concept that works well when applied to distinctly different themes. Although his newest restaurant, the 350-seat, 10,000-sq.-ft. America, specializes in American regional cuisine, the wherewithal to produce its 200-dish menu for 1,000 customers daily was perfected at Ernie's and the Saloon—

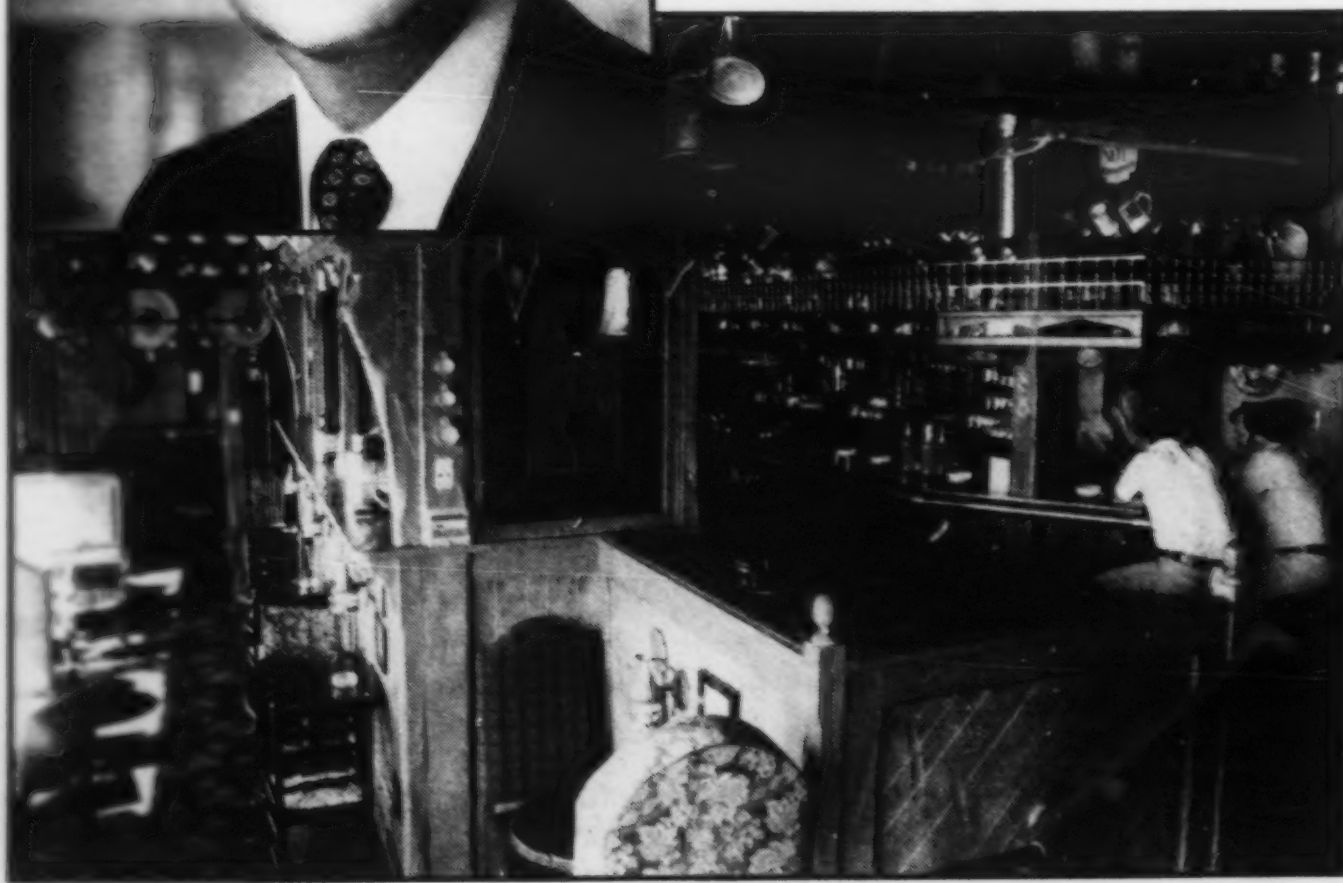
(See GROUPS, page F12)



Ed Debevic's is being developed by Big 4 Restaurants with help from Lettuce Entertain You and Collins Foods. Below, Big 4's president, Lee Cohn.



Restaurants Unlimited president Ray Lindstrom (left) designed Cutter's (above) to appeal to a younger clientele. Below, one of the company's older, English-themed restaurants, Clinkerdagger.



FOCUS | NRN

INDEPENDENT RESTAURANT GROUPS

'Ed Debevic's has the potential to become one of Big 4's chief growth vehicles if it takes off. . . .'

(Continued from page F10)

both 200-plus-seat restaurants featuring equally mammoth Northern Italian and continental menus, respectively.

But while Weinstein points out that "we're not in business to replicate," he is currently negotiating to take Ernie's to Hackensack, N.J.—an experiment that will give him his first restaurant outside of Manhattan. "Going into the suburbs or a smaller city is a major crisis," he says half seriously. "We like to be able to get to our restaurants by jogging or by bicycle."

Not all of the restaurants in Weinstein's stable are "monsters," though. Albuquerque Eats, a 115-seat operation that features a Southwestern menu, may be the prototype for a series of restaurants highlighting interesting city menus. "We could simply take a distillation of all of the menus from the best restaurants in one city," he says.

Weinstein says, however, that expansion plans hinge for the most part on the availability of "interesting sites" rather than on the desire to reproduce any one concept. "Usually we look at companies with good leases and underutilized operations," he says. Once the location has been finalized, only then does Weinstein begin to conceptualize.

Lee Cohn, president of the 20-unit Big 4 Restaurants in Phoenix, also takes a hard look at the location and potential market before deciding what type of restaurant to build. While Big 4's approach is not quite as open-ended as Weinstein's with regard to theme

and menu, the company is able to juggle a number of existing concepts for each location—the majority of which are in the Phoenix area.

Ed Debevic's Short Order Deluxe diner—a concept Cohn developed with Lettuce Entertain You's Rich Melman and built with financing from Collins Foods International—has the potential to become one of Big 4's chief growth vehicles if it takes off in its Phoenix and Chicago test markets.

Characterized by Melman as being "a greasy-looking place without the grease," Debevic's is a limited-menu, 50's-style diner serving high-quality, short-order food at moderate prices. Menu items include Salisbury steak with mashed potatoes, four types of chili, a fried chicken platter and milk shakes and malts.

But while a third Debevic's has been slated for the Los Angeles area, all principals are taking a wait-and-see attitude concerning the concept's further expansion.

Meanwhile, Cohn is looking to saturate the Phoenix area with a tightly operated group of restaurants. Chief among the \$24 million company's concepts are Oscar Taylor, a \$4.5 million-a-year steak and ribs restaurant; Ribley's Café, an upscale coffee shop featuring barbecue chicken and ribs, and American Grill, a seafood dinnerhouse. There are also plans to open an Eastern seafood restaurant called Steamer's in Phoenix next year.

Although Atlanta-based Peasant Restaurants has only three concepts, its eclectic Peasant dinnerhouse opera-



Exhibition butchershop and bakery at Oscar Taylor's unit in Arizona, a market Big 4 is looking to saturate.

tions are modified for each new location—a strategy which de-emphasizes the chain effect. According to president Steve Nygren, the six Peasant restaurants in Atlanta—there is also one operation in Washington, D.C.—range in size from 80 to 300 seats, and while all menus incorporate elements of American and European cuisines, each is, to some degree, different from the next. Portions are generally large and moderately priced.

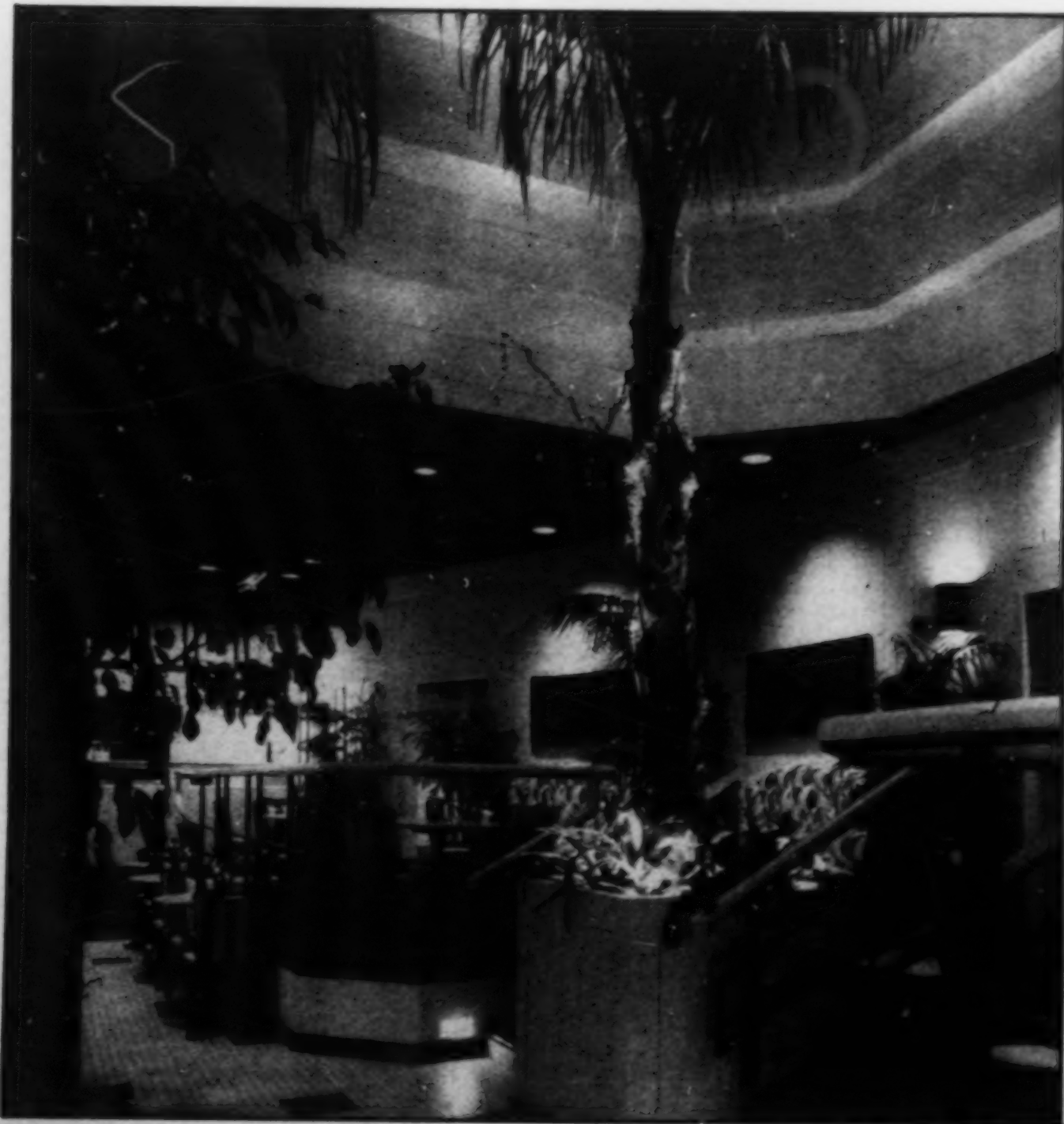
Names and decor differ from location to location as well. The first Peasant—called the Pleasant Peasant—is housed in a small, brick building in Atlanta, while the Peasant Uptown is positioned in a shopping mall. A third, the Public House, is located in a restored 19th century building.

All seven Peasants are open for lunch and dinner, and attract a fairly

broad-based clientele, according to Nygren.

The company's second concept, Mick's, resembles Ed Debevic's in that its decor is patterned after that of a 1950's diner. The menu, however, is strictly trendy, and includes gourmet hamburgers, pasta, pizza, calzones and grilled items. Although there are currently only two Mick's in Atlanta, Nygren says there are plans to build more.

Along with the company's third concept, the Park—a cafeteria-style operation in an Atlanta multiuse complex—the 10 restaurants generated \$25 million in sales for 1984. And while Nygren says that the company is still planning further expansion in the Atlanta area, they are looking to move into other southern cities such as Dallas and Houston as well.



Two Peasant Restaurant concepts: A Pleasant Peasant unit in Washington, D.C. (left), and Mick's at Lenox Square in Atlanta.

FOCUS | NRN

Pizza chains holding on to their slice of the market

By Don Jeffrey

Regional and specialty pizza chains, challenged by the majors' moves toward home delivery, menu diversification and the lunchtime trade, have found it necessary to also adopt these strategies for building customer frequency.

Unit expansion among the smaller, second-tier chains, meanwhile, has not been sacrificed. Most chain executives believe pizza markets are not saturated yet and that although there is intense competition and an inevitable shakeout, there is still room to grow.

The trend toward pizzas with unusual, or "gourmet" toppings—begun by independents and now picked up by some chains—has been adopted by some regionals, but with scattered success.

What is more important for the second-tier chains, most of which have built solid bases in particular areas of the country, is responsiveness to local tastes whether they be Canadian bacon and pineapples in Idaho or barbecue in Texas.

Many smaller chains give the majors credit for educating the consumer about new perceptions of pizza, especially in three areas: home delivery, viability as a lunchtime choice, and bigger products with more generous toppings.

Domino's Thomas Monaghan is credited with putting delivery on the pizza map. Once a service offered only in high-demand markets such as college and military communities, delivery is now an important and successful component of many chains.

Pantera's, a Missouri-based, 58-unit chain, has instituted a highly systematic, St. Louis-area delivery concept that, chairman Franklin Allen says, has significantly boosted sales. Moreover, it has helped overcome the inevitable drop in customer counts during the long, cold winter months.

Tulsa-based Ken's Restaurants, which has operated two different sit-down pizza concepts, Ken's and Mazio's, has now rolled out a third concept, Scooter's, devoted entirely to delivery.

A few chains, though, say delivery doesn't reflect the image they are projecting. Pizzeria Uno, a 24-unit Boston-based chain specializing in Chicago-style pan pizzas, presents an image of a stylish, sit-down restaurant with full service including bar. Executive vice president Stephen Immel says home delivery might "denigrate the concept."

Pizzeria Uno is leading the way among chains on the so-called "gourmet" pizzas—those that feature unusual toppings and crusts. President Aaron Spencer, a successful KFC franchisee, turned his attentions to pizza and developed specialties such as the Sea Delico, which contains crabmeat, shrimp and garlic. Immel says he believes the trend is to move away from the "build-your-own" kind of cheese, pepperoni and mushroom pizza toward the brand-name specialty like the Sea Delico.

Noble Roman's of Bloomington, Ind., has added to its menu a line of specialty brand-name pizzas with Polynesian, Greek and Mexican tastes. Pantera's new deep-pan pizza features imported plum tomatoes on top. Rocky Rococo introduces new toppings and tastes in its Adventures in Pizza line.

(See PIZZA, page F16)



Above, Rocky Rococo pan-style pizza comes with a variety of toppings. Below, a unit interior. The chain has had high volumes selling slices at lunchtime—about 45% of sales come before 5 p.m.



FOCUS | NRN

SLICE OF THE PIE

'All second-tier pizza chains are looking at moderate to ambitious unit expansion this year.'

(Continued from page F15)

The problem for Noble Roman's and other chains following this trend is that consumers in their markets haven't yet caught up with it. Pantera's Allen says its new pan pizza accounts for only about 4%-5% of sales.

Cassano's, a 78-unit Dayton, Ohio, chain, stays away from the upscale pizzas, believing that the demand exists only in large metropolitan areas or among well-traveled professionals. Most chains don't have a large presence in big-city markets. Customers in smaller cities and towns are not accustomed to unusual pizzas, and it may take a massive marketing program that only a Pizza Hut or a Domino's can afford to educate them about these new tastes.

Many second-tier operators credit segment leader Pizza Hut with making the public realize that pizza is an acceptable lunchtime choice. Some chains have responded by rolling out their own individual-sized pizzas. Others have been doing it for years, but are now enjoying the benefits of the majors' marketing drives.

Madison, Wis.-based Rocky Rococo has for years had high volumes selling slices at lunchtime. About 45% of its sales come before 5 p.m. But it, too, sees new opportunities to boost lunch business and is testing a line of four sandwiches baked like pan pizzas.

But for every move toward menu diversification, there's another move to streamline menus. In the past one and a half years, Victor Cassano has removed the pastas, salad bars, full dinners, fish and chips from his menus. He says it makes little sense to try and be

master of all trades only to blur your image and confuse your help. His approach is "back to basics."

Cassano's, whose Midwestern markets were particularly hard-hit during the recession, is in a turnaround now. Victor Cassano says unit growth will be in the 40% range this year, and that he'll be looking closely at a food-court unit test in a Dayton mall.

So far major and regional pizza chains have largely left the food courts to the specialists. In pizza, that would be New York-based Sbarro. But if Cassano's can work its concept successfully in the increasingly high-cost food courts, other chains will begin to take a serious look at them. Cassano's is selling slices in the high-traffic mall location.

All second-tier pizza chains are looking at moderate to ambitious unit expansion this year. Noble Roman's, which had been building up its Dayton market, using native son Jonathan Winters as media spokesman, has been given a boost by the purchase of several franchised Godfather's in Dayton and Cincinnati for conversions. Other small chains are also reporting negotiations with or inquiries from disillusioned Godfather's franchisees.

The market-penetration approach to expansion is favored by most chains today because of the high cost and effectiveness of television marketing. Pantera's Allen says he plans to develop an entire city market (which he would not disclose) all at once this year, with a combination of full-service and delivery-only stores and a delivery order-taking center, at a cost of about \$2.5 million.



Pizzeria Uno has become the leader among the second-tier pizza chains for experimenting with the "gourmet" toppings.



Pizzeria Uno is staying away from home delivery, preferring to keep the image of a stylish, sit-down restaurant.



A waitress takes a break at the bar in Pizzeria Uno's New York City unit.

FOCUS | NRN

Second-tier hotels posting high occupancy rates

Several smaller-sized hotel groups are carving out comfortable niches within their markets by offering alternatives to the cookie-cutter properties of the big national chains.

Most of the second-tier challengers say their occupancy rates exceed 70%, at a time when the industry average hovers around the mid-60's.

They attribute their success to the involvement of company executives in every aspect of operations, right down to the decision-making process at the property level, and keeping a tight rein on expansion.

Few of the second-tier contenders are new to the lodging scene. Red Lion Inns has been in operation for 26 years, Doubletree Inns for 16, Guest Quarters for 14 and Rosewood Hotels for 6.

And though the newest member of the group, Ritz-Carlton, was technically conceived only a year ago, it previously operated for a few years as Monarch Hotels, and is flavored by the long track record of its parent, W. B. Johnson Co.

Yet each maintains that the greater flexibility afforded by their streamlined corporate structure enables them to keep their concepts as fresh as any of the brand new chains presently flooding the lodging market.

"When you stay small, you're in touch with what's going on in the market, and it doesn't take you long to do things. You can respond quickly to changes in your marketplace," says Ted Pritchard, senior vice president of Doubletree Inc.'s subsidiary chain, (Compri) Hotels. Pritchard is a veteran of such large-scale chains as Ramada, Sheraton and Howard Johnson.

Pritchard points out that Doubletree was once a much different company. Its 18 inns competed in the mid-priced market, along with chains like Holiday Inns and Ramada.

As it watched the midmarket soften in the early 1980's, Doubletree whittled down its size and repositioned its hotels in the luxury sector. Now it has 11 Doubletree hotels, including convention, resort and all-suite properties.

Last year Doubletree announced that it was moving back into the mid-market with a concept being much talked-about within the lodging industry.

(Compri) Hotels is based on focus group findings that the business traveler is disillusioned with the impersonal, cold approach that they believe typifies most midpriced brands. (Compri) is being positioned as an alternative.

The "inclusive" hotels, as Doubletree refers to them, will feature a living room-like common room called the Compri Club. The 4,650-sq.-ft. area will serve as a homey lounge/library/work area for guests who feel isolated sitting alone in their rooms.

The Compri Club will serve as the sole dining area for (Compri) guests. A complimentary cooked-to-order breakfast, prepared on a nearby hot line, will be the only meal offered at the properties.

One of (Compri)'s unusual features is its management structure, which Pritchard admits borrowing from discount carrier People Express. All staff members will wear the same simple uniform of a blue blazer, a white shirt and either beige slacks or skirt. Everyone, says Pritchard, will do everything, floating from function to function as need arises.

One person will serve as director; all other employees will carry the title of either host or hostess.

The first (Compri) is scheduled to open by the middle of this year. Four more will be added in suburban locations during 1986, says Pritchard.

Once the (Compri) concept has been put to the test, Pritchard expects that several of its features will be stolen by the major hotel chains.

Michael M. Dickens, president of Guest Quarters Inc., can empathize. Guest Quarters was one of the pioneers of the all-suites concept, which has since been borrowed by large chains like Holiday Inn and Marriott as well as a number of small upstart companies.

Yet Dickens believes that Guest

profit center as well as a marketing tool," says Dickens, voicing a sentiment seldom heard in the hotel business.

A heavy emphasis on food and beverage operations is one of the reasons why Red Lion Inns, a 52-unit chain based in Washington, has earned the respect of small and large competitors alike. "Inch for inch, it's the best-run hotel chain in the country," said the chief executive officer of a national chain who asked not to be identified.

Of the \$250 million Red Lion generated in sales last year, about 50% came from the chain's F&B operations, according to sources close to the chain.

The vehicles are its Maxi's and Misty's restaurant concepts. The operation of each is closely monitored by

stint with a West Coast design firm. "We monitor everything, from the type of glasses on the table to the amenities in the room to the way a napkin is folded."

The company, a division of the oil-rich Hunt family's Rosewood Corp., presently operates four luxury hotels, including the lavish Mansion on Turtle Creek in Dallas, the Remington in Houston, and the Hotel Bel-Aire in Los Angeles. Each is positioned as an individual property rather than a member of a group "to appeal to a very discriminating traveler," says Zimmer.

"The bull's-eye in our market level is a perception of value—making it worth spending a few more dollars on," he adds.

The Ritz-Carlton Hotel Co., a five-

SELECTED HOTEL CHAINS

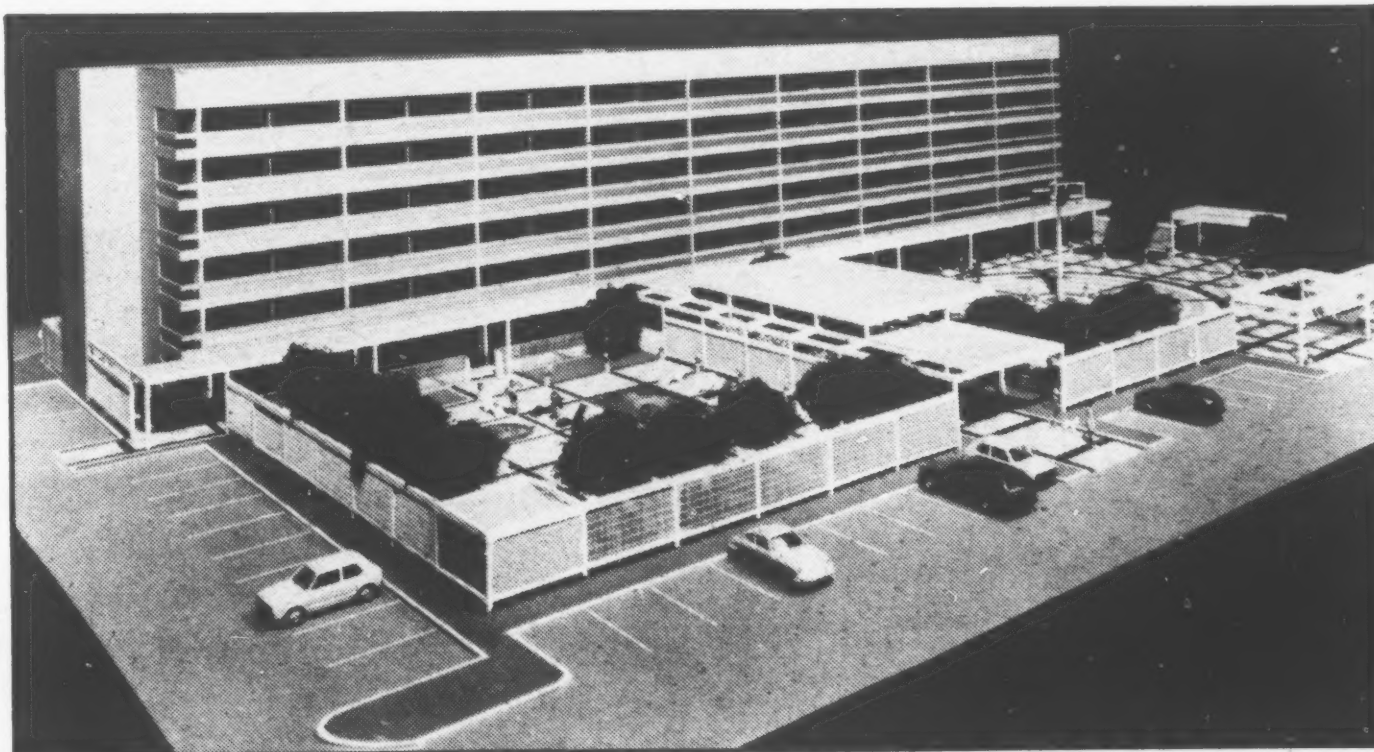
Chain	Systemwide Sales (In Millions)		Market Segment	Geographic Market	No. of Units	
	1984	1985			1983	1984
Doubletree Inc. Phoenix, Ariz.	\$ 90	\$120	Luxury (Doubletree) Mid-market (Compri)	National	11	11
Guest Quarters Inc. Washington, D.C.	44	55	Luxury	National	10	9
Red Lion Inns Vancouver, Wash.	250	287*	Upper mid-market	Northwest	52	N/A
Ritz-Carlton Hotel Co. Atlanta, Ga.	N/A	100	Luxury	National	2**	5
Rosewood Hotels Dallas, Tex.	N/A	N/A	Luxury	National	3	4

*Estimate

**Licensees

N/A = Not Available

Source: NRN Research



After Doubletree repositioned its hotels to compete in the luxury sector, it decided to re-enter the midpriced segment with a new concept, (Compri) Hotels. Right, Guest Quarters-Galleria West in Houston.

Quarters still has an advantage over the all-suite herd because of what he says is its unusual marketing positions: "No other all-suite chain is going after the top end of the market."

Indeed, most all-suite contenders have targeted the midmarket, keeping their room rates within an appropriate range by omitting restaurants and public areas, and hence lowering construction costs.

Guest Quarters, on the other hand, provides "all the services of a conventional hotel, including restaurants," says Dickens.

Guest Quarters regards its in-house restaurants as not only a point of differentiation from the all-suite hordes, but "a supplement to our rooms operations, contributing to our cash flow."

"You have to look at a restaurant as a

chain founders Ed Pietz and Tod McClaskey to maintain the restaurants' reputation of quality within their local markets.

One of the techniques Pietz and McClaskey use is bringing as many functions as possible within the umbrella of Red Lion. All food preparations, for instance, is handled by a subsidiary called M&P Motel and Restaurant Supply Co. at a central commissary. Graphic and design materials are developed by M&P Graphics.

That hands-on attention to detail is one of the factors Rosewood Hotels Inc. believes will set it apart from other contenders at the high end of the hotel market.

"Those are our buzz words, 'attention to detail,'" says president Robert Zimmer, whose past positions include a

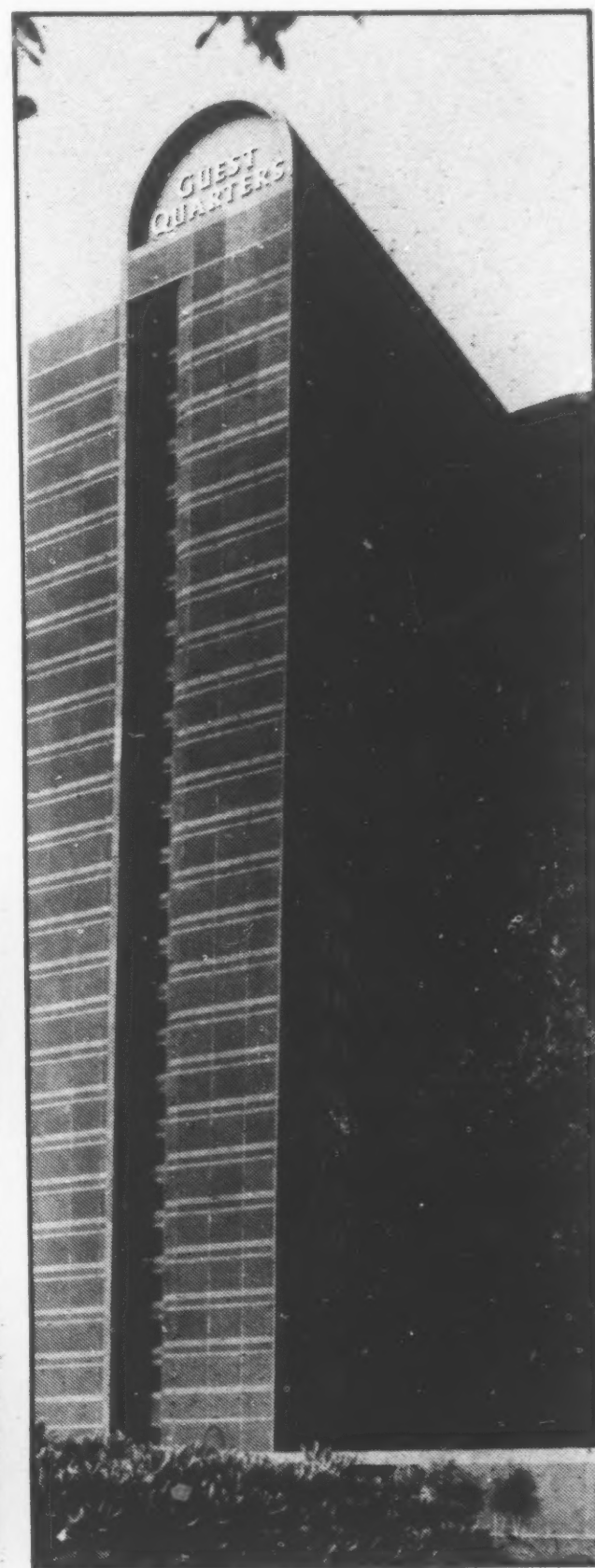
unit chain based in Atlanta, espouses a similar philosophy. President Colgate Holmes feels the one-year-old chain has an advantage by virtue of its newness and smaller size.

"Because we're new and still small, we can be more consistent in our quality. We're not stuck with a mixed-bag of product the way the larger chains are," he says.

"The executive traveler is seeking a personal experience when he checks into a hotel," Holmes continues. "Our name suggests it, and we deliver."

Ritz-Carlton recently moved into the resorts market, a segment also being eyed by Rosewood, with the opening of a facility in southern California.

Ritz-Carlton plans to develop several more destination properties in the near future, says Holmes.



FOCUS | NRN

Some contract feeders content to stay within field's second tier

By Peter Romeo

A rash of acquisitions by contract feeding "giants" has second-tier contenders convinced that their smaller size has never been more of a marketing advantage.

"As the big guys keep getting bigger, the smaller guys are going to do better, too. There's that much more of a need for us, as an alternative to the big national companies," says Jack Gallione, president of white-collar employee feeder Corporate Food Service Inc. of New York.

Other second-tier executives agree that the sheer size of the big national feeders, growing ever larger and more bureaucratic through Pac-Man acquisition strategies, is going to drive more accounts into the folds of the regionals.

Second-tier feeders plan to capitalize on that trend by playing up their traditional strengths of greater flexibility, a better understanding of the limited markets they serve and a hands-on management approach.

In addition to Corporate Food Service, the list of second-tier feeders presently includes Creative Gourmet in Boston; Lackmann Foodservice Inc. in Long Island, N.Y.; Seiler Foodservice in Massachusetts; Serv-Rite Corp. in Buffalo, N.Y.; Service Dynamics in New Jersey; In-Plant Foodservice Inc. in Connecticut; Glorious Foods in Washington, D.C.; Southern Cafeteria Co. in Alabama; Hallmark Management Services in Ohio, and Sands & Co. in Atlanta, Ga.

All are regional, privately held and imbued with what they say is an entrepreneurial spirit that sets them apart from the big national feeders.

"Our approach is different in that we don't have any strict corporate rules to adhere to. We can be flexible to meet the specific needs of our clients," says Michael Barclay, vice president of 65-account Southern Cafeteria Co.

Barclay points out that one of the prime reasons for Southern's 25% rise in sales during 1984, to \$30 million, is its ability to offer each account its own customized menu—an advantage that

every other second-tier feeder laid claim to as well.

"The big national companies can't do that. They just don't have that mindset: They're feeding the masses, and we're feeding people," says Stephen Elmont, president of Creative Gourmet.

Similarly, every second-tier company says that it could fine-tune or completely revamp a client's menu in a fraction of the time it would take one of the major contract feeders.

"Things can happen quickly in a small company. There aren't three levels of bureaucracy between operations and headquarters—no red tape that a customer has to cut through to get something done," says Philip Bach, president of Hallmark Management, or what he calls "little Saga."

"Nor is there any buck-passing," says Donald E. Storer, vice president of marketing and corporate development for The Seiler Group, a hospital, educational facility and employee feeder serving the East Coast.

Our customers don't get relayed from office to office, wading through bureaucracy to see where the buck stops."

That advantage is enhanced, says Bach, Storer and their colleagues, by a hands-on management philosophy embraced by most second-tier feeders.

"We're small enough to be in touch with what's going on with our clients on a day-to-day basis. A contract is going to get the attention of everyone, from the chairman and ceo on down the line," says John Darden III, chairman, president and chief executive officer of employee feeder Sands & Co.

And, says Storer, "when a customer is dealing with a contract feeder's top executives, he knows that he's not going to have one management team handling his account one week, and a whole new crew the next."

The second-tier companies believe their hands-on orientation will give them an advantage over the big national companies in tapping into one of the burgeoning areas of contract feeding:

SELECTED CONTRACT FEEDING CHAINS

Chain	Systemwide Sales		Type of Operations	Area of Operations 1983-84	No. of Accounts 1983-84
	1983	1984			
Corporate Food New York	\$20.0	\$20-22.0	White collar employee feeding	New York City	30
Creative Gourmet Ltd. Massachusetts	9.8	15.0	Corporate catering, public restaurants	Massachusetts	N/A
Hallmark Management Service Ohio	N/A	10.0	College feeding	Ohio, Pa., N.Y.	14
In-Plant Foodservice Connecticut	1.0	1 +	Employee feeding	Conn., Western Mass.	12
Lackmann Foodservice New York	14.7	21.0	School, college, employee feeding, and public catering	New York, New Jersey	31
Sands & Co. Georgia	35.0	40.0	Employee feeding	Va., Ga., Fla., N.C., S.C.	N/A
The Seiler Group Massachusetts	150.0	180.0	Health care, school, employee feeding	East Coast	450
Serv-Rite Corp. New York	5.0	6.5	School, employee feeding & public catering	Western New York	20
Service Dynamics New Jersey	8.0	9.0	School, health care, employee feeding	New York, Northern N.J., Southern Conn.	45
Southern Cafeteria Co. Alabama	24.0	30.0	Employee, health care feeding	South, Midwest	65

N/A = Not Available

Source: NRN Research

smaller-sized business and industrial installations.

"We're seeing a lot of companies with 500 or 1,000 employees who are bringing in someone to do their feeding," says Richard Sarnoff, vice president of In-Plant Foodservice Inc., which has 12 accounts. "These companies aren't that big, and aren't going to get that big, so they're not going to go with a big contract feeder."

"They're going to go with a local company—someone who's right there to take care of them, and who knows the local marketplace."

The second-tier feeders say they benefit from that knowledge of their local marketplace in two ways.

First, because they are attuned to local eating habits and preferences, the second-tier companies can tailor their

fare to a specific community far more effectively than a national feeder, claim the companies' executives.

More importantly, "because we do our purchasing locally, we can do it faster and better than the big guys," says Sarnoff.

By moving quickly to take advantage of seasonal specials and concentrating their purchases in one area, second-tier feeders believe they're able to offset the purchasing might of even the largest national feeders.

"The big companies say they benefit from the economies of scale," says Harlow Kehoe, vice president and general manager of school, hospital and employee feeder Service Dynamics. "But I used to do purchasing for Canteen Corp. I know what they pay, and I know what we pay, and I know we both pay just about the same."

"They can have their national purchasing contracts, but they still have to pay to truck it out from a central commissary."

Most of the second-tier feeders say they don't plan to lose that advantage by expanding out of their regional markets. Nor, for that matter, do they anticipate growing quickly.

"We're not going to grow any faster than our financial base allows," says Darden of Sands & Co., reflecting what he says is an attitude embraced by most contract feeders. "We want to make sure that we're able to do what we promise, and not overextend ourselves."

Despite that conservatism, however, several of the second-tier feeders are looking to expand into new types of operations within their regional markets.

Southern Cafeteria, for instance, recently formed a health-care feeding division. Hallmark also plans to move into the health care market.

Lackmann Foodservice, on the other hand, "is looking to get into the commercial side of the food-service business, possibly as a franchisee of a deli-concept chain," says president Tom Lackmann.



Lackmann Foodservice's Eatrium at Nassau Community College in New York. Inset: Tom Lackmann.

FOCUS | NRN

Chicken chains diversify menus, add breakfast

By Don Jeffrey

Taking cues from the burger chains that have hurt them by adding menu items like chicken nuggets, the smaller chicken chains are fighting back with their own menu diversification and moves into the expanding breakfast trade.

Whether rolling out nuggets as a defensive measure or adding steak, fish or cinnamon rolls for variety, the smaller or regional chicken chains are trying to bring back customers lost when McDonald's, Wendy's and others made their pitches for the chicken customer.

Unit expansion among the smaller chains in the segment, meanwhile, is more conservative this year. Some are slowing growth in order to catch their breath, especially after seeing some highly visible chains struggle with overambitious expansion.

Some observers see a continuation of the recent-years' trend of large food-service companies buying small chicken chains, such as Grandy's by Saga, Bojangles' by Horn & Hardart and Ron's Krispy by Church's.

Despite some struggles, chicken-chain operators are convinced of the growth potential of chicken. They are encouraged by demographic trends such as more women in the workplace, an aging population, and a move away from red meat and toward poultry.

Chain operators say their greatest challenge is to effectively market their menus in order to capitalize on these trends.

The growing interest in health and fitness has led many chicken chains to re-examine their mostly fried products and, in some cases, to offer alternatives to the public. Mrs. Winners, a 184-unit Nashville-based chain, is testing a baked chicken breast filet, coated with margarine, and served with green beans. Company president M. V. Hussung Jr. says this offering is being positioned as a "healthful" item.

Texas-based, 50-unit Tinsley's Chicken and Rolls is testing a rotisserie-roasted chicken in response to consumers' requests for a nonfried product.

Other chains, such as Baltimore-based Chicken George and Los Angeles-based Pioneer Take Out, are not offering alternatives to frying but are pursuing marketing strategies that emphasize the freshness of their products.

But many executives believe that fried chicken will remain popular, despite current trends. Chick-Fil-A's marketing vice president Steve Robinson reports: "We know there's a mar-



Clockwise from top left: Tinsley's Chicken 'n Rolls (that's mascot Boss Bird in front) is testing rotisserie-roasted chicken; Chick-Fil-A president S. Truett Cathy; Chicken George, which has increased its nonchicken offerings.

ket for broiled or baked. We get a little interest but very little." Atlanta-based Chick-Fil-A does promote the fact that its chicken is fried under pressure in low-cholesterol peanut oil.

In other attempts to give customers more choices, chicken chains are increasingly offering a variety of non-chicken items.

Chicken George, which already offers mild and spicy varieties of chicken, has now introduced a fish entree and a peach cobbler dessert. It is testing pepper steak.

Chick-Fil-A is rolling out a more "upscale" french fry than the usual shoestring type: a waffle potato fry priced 5¢ to 10¢ higher.

Mrs. Winner's has a winner in its cinnamon swirl pastry and is testing a new combination dinner of country fried steak and chicken filet. Golden Fried Chicken, a 118-unit Austin, Tex.-based chain, has introduced a freshly baked chocolate chip cookie.

Several of the menu introductions are chicken products, responses to what other chains have done. Mrs.

Winner's is coming out with its own nuggets item, a "defensive" move, Hussung says, to combat erosion of some lunch sales by other chains' roll-outs.

Golden Fried is planning to roll out a finger-food item called Golden Tenders, somewhat like nuggets but consisting of breast portions. And, Pioneer has a new spicy chicken.

Several recent introductions have been designed to capture the breakfast trade. But some operators are wary because of the now-intense competition for a relatively small customer base in that daypart.

Mrs. Winner's, looking for a confection item at breakfast, rolled out its Super Cinnamon Swirl and then, to its surprise, saw it prove popular up through lunch and wind up accounting for 5% of total sales. To make further breakfast gains, Mrs. Winner's took its regular breakfast platter of eggs and extras, doubled the portions and price, and saw it help boost breakfast business to about 35% of total sales. The breakfasts are biscuit-based, as is

Bojangles'. Pioneer is also testing a biscuit-based breakfast.

Its successful development of the breakfast daypart notwithstanding, Mrs. Winner's suffered shrinking profit margins last year, mostly due to too-rapid growth that stretched resources.

Mrs. Winner's and some other chicken chains have made more moderate growth projections this year. They have seen larger chains such as Bojangles', Popeye's and Church's experience problems breaking into new markets or being forced to shut down unprofitable stores.

Like other media-astute chains, Winner's plans to expand only by penetrating its existing markets more thoroughly to gain advertising clout. It plans to add about 42 stores.

Chick-Fil-A, the second-tier leader at 307 units and 1984 sales of \$153 million, plans about 9%-10% unit growth financed "with internal assets," Robinson said. The premier mall chain, Chick-Fil-A expects to test two free-standing concepts this year, one a 24-hour store.

Chicken George's Theodore Holmes said he was limiting franchising. "We're fairly new at it," said the founder of the four-year-old chain. "We want a breather." He plans to add about 13 total stores to his base of 20 this year. Two units will go into the sprawling Chicago market, he said.

Tinsley's, now at 50 units, plans about 25% unit growth but not outside its home state.

Last year's best unit growth rate—more than 100%—was by Golden Fried Chicken of Austin. That was due to the acquisition of about 70 Holley Farms chicken stores in North and South Carolina. President Steven Neeley said the company planned to use acquisition again as a means of expansion. The chain expects to add about 60-70 units through normal expansion efforts this year.

SELECTED CHICKEN CHAINS

Chain	Systemwide Sales (In Millions)		Average Same Store Sales (In Thousands)		Average Per Person Checks		Number of Units		Menu Price Hikes	
	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984
Tinsley's Chicken & Rolls Huntsville, Tex.	N/A	N/A	N/A	N/A	\$4.00	\$4.00	45	50	0%	0%
Golden Fried Chicken Austin, Tex.	N/A	\$ 27.0	\$ 340	\$365	3.50	3.50	54	118	N/A	0.0
Pioneer Take Out Los Angeles, Calif.	\$ 92.0	103.0	N/A	N/A	N/A	N/A	N/A	294	N/A	N/A
Chicken George Baltimore, Md.	8.0	10.0	1,200	985	3.50	3.55	14	20	10	5
Chick-Fil-A Atlanta, Ga.	134.0	153.0	510	525	2.36	2.55	280	305	0	6
Mrs. Winner's Nashville, Tenn.	50.9	67.3	658	695	2.95	3.00	120	184	6	5

N/A = Not Available

Source: NRN Research

FOCUS | NRN

Casual-themers gain ground with specialized concepts

With the success of conglomerate-owned casual-theme restaurants like S&A Restaurant Corp.'s Bennigan's (Pillsbury) and Gilbert/Robinson's Houlihan's (W. R. Grace), smaller operators have jumped into the field hoping to grab a piece of the potentially lucrative market created by the aging of the so-called baby-boom generation.

A strong, active bar business backed by eclectic, trendy menus targeted toward an upwardly mobile 21- to 35-year-old customer base are the driving forces behind such chains as Columbus, Ohio-based Max & Erma's, Phoenix-based Bobby McGee's, New York City-based Tallulah's American Cafe (owned by Beefsteak Charlie's), Dallas-based Chili's and Atlanta-based Houston's.

While the 11-unit Max & Erma's has struggled in recent years, recording a net loss of \$761,000 in fiscal 1984, moves are under way to restore the full-service dinnerhouse chain to profitability. Hurt by poor site selection in the past, the company has targeted high-traffic locations for future development and shut down four nonproductive units in Toledo, Ohio; Cincinnati; Louisville, and Kansas City, Mo.

Max & Erma's has also hired a new marketing director, Karen Brennan, to help reposition the chain toward busy suburban locations, especially near shopping malls. Newer stores—which are being scaled down from 8,000 sq. ft. and 160 seats to between 5,000 and 6,000 sq. ft. with seating for some 130 customers—are averaging better than \$1.5 million in annual volumes, according to Max & Erma's president Todd Barnum.

"We're very much into suburban stripes, like everyone else," Barnum said, acknowledging that poor site selection decisions over the last five years have severely hurt the company. Only two units remain in urban market, in Pittsburgh and Columbus, with the remainder of stores in Farmington Hills, Mich., and the Indianapolis, Dayton, Ohio, and Lexington, Ky., markets.

With an average per-person check of about \$7.50 and a bar business that accounts for some 33%-35% of sales, Max & Erma's has also begun a menu expansion program to help ward off

strong competition from better-known chains like Bennigan's and Houlihan's.

Raw seafood and pasta bars have been rolled out in newer stores, while older units are being retrofitted to accommodate these products. To further boost a menu dominated by 10-oz. "gourmet" hamburgers—which continue to account for up to 45% of the sales mix in some stores—Max & Erma's has recently added such items as stir-fried shrimp and scallops, seafood salad, salad niçoise, sauteed tortellini stuffed with cheese, beef and prosciutto, a spicy vegetable Quesadilla and nachos.

While Max & Erma's has opted for a broader menu, the 16-unit Bobby McGee's is following an opposite track. The West Coast-based chain is currently testing an abbreviated dinner menu at one of its highest-grossing restaurants in Burbank, Calif. Seeking a more manageable mix, the company has slashed more than a dozen items—out of about 30—eliminating all offerings that account for less than 1.5% of sales.

"We've come to the conclusion that we can't be all things to all people," said Bobby McGee's executive vice president and chief operating officer John L. Schwimmer. He said the scaled-back dinner menu could be a key to the company's future growth.

Bobby McGee's, with restaurants in Arizona, California, Colorado, Hawaii and Texas, features a dinnerhouse/disco-lounge format highlighted with a variety of artifact-and-antique-strewn themed dining areas and elaborately costumed servers.

Average annual store volumes currently run about \$2.8 million chainwide with newer units (principally in California) producing yearly sales of over \$3 million. The company recorded total sales of nearly \$45 million in 1984.

Traditionally dinner oriented, the 13-year-old Bobby McGee's has begun testing a separate luncheon menu featuring 11 core items—ranging in price from \$4.95 to \$8.95—and three off-the-menu daily specials. Offerings include such salads as Cobb, seafood or Sombrero plus a steak sandwich and bacon cheeseburger. The average per-person lunch check is about \$7.

But dinner, and a disco-lounge trade which accounts for some 45% of total



Elaborately costumed employees of Bobby McGee's add to the atmosphere.

'A strong active bar business backed by eclectic, trendy menus are the driving force behind such chains.'

sales, remain Bobby McGee's driving force. With an average per-person dinner check of about \$12.50, offerings include standard items like prime rib, steak, crab and lobster, plus two fresh fish specials and one other nightly special such as filet steak Dijon or chicken Newport.

Hoping to boost average annual unit sales to nearly \$4 million with its new scaled-down menu, Bobby McGee's is emphasizing northern California as its principle expansion territory, although two more units are slated for the Los Angeles market, one for Scottsdale, Ariz., and possibly one more in Hawaii and one in Alaska.

Among the most successful small chains in the casual dinnerhouse field is 12-unit Houston's, founded some 10 years ago by former Steak & Ale executives George Beall and Vic Branstetter.

A privately held company, Houston's has provided strong regional competition for the larger casual-theme operations like Bennigan's, Houlihan's and T.G.I. Friday's. Houston's average annual unit volumes far exceed \$3 million.

Featuring an average check ranging from \$7.95 to \$15 depending on location and a menu built around house specialties like barbecued ribs, a club sandwich served with mustard-honey dressing and Tortilla Flats (a variation on nachos), the company presently operates outlets in Atlanta (two), Nashville, New Orleans, Houston (two), Dallas, Washington, D.C., Memphis, Fort Lauderdale, Fla., Kansas City, Kan., and Rockville, Md.

With some stores purportedly raking in annual volumes of up to \$5 million, Houston's are situated in suburban locations mostly in shopping malls (except in Washington, D.C., where

the unit is in Georgetown). Each restaurant is specifically tailored to its marketplace in design, eschewing the cookie-cutter approach employed by most competitors.

New on the casual-theme scene is Tallulah's American Cafe, an attempt by ailing Beefsteak Charlie's to reverse mounting losses and modernize its image.

With 1984 losses of more than \$2 million, the 64-unit, New York City-based Beefsteak Charlie's is attempting to reposition its restaurants to meet current demographic and dining trends. Tallulah's, with 11 units in operation, is one of three concepts currently being tried. (The other two are Daly's Dandelion, a "gourmet" hamburger operation, and Nathan's Detroit, featuring barbecued ribs.)

Tailored primarily toward suburban locations—like most chains in the casual theme market—Tallulah's features an eclectic menu anchored by steaks, individual pizzas, several pasta selections, barbecued ribs, chicken, burgers and sandwiches. The restaurants also offer an array of finger foods including mozzarella sticks, nachos and Buffalo-style chicken wings. Average per-person checks run about \$8.

All Beefsteak Charlie's conversions, Tallulah's units feature separate 50-seat lounge areas, with the bar accounting for some 25% of the sales mix. The upscale decor includes original life-sized "pop-art" sculptures and paintings by contemporary American artists.

Current Tallulah's locations include Staten Island, N.Y. (a borough of New York City), Smithhaven and Merrick, N.Y. (on Long Island), Colonie, N.Y. (near Albany), Palmetto, North Miami and Fort Meyers, Fla., Framingham, Mass., and Danbury, Conn.



Max & Erma's will target high traffic locations for development.

FOCUS | NRN

Ethnic dinnerhouses broadening their market base

NRN Special Report

Second-tier ethnic dinnerhouses are survivors.

Most of the chains that remain prosperous today weathered setbacks in the 1970's and are now off on new growth paths with a varied mix of proven concepts or bold new ventures.

For instance, Rocky Aoki's Benihana operation is making a daring move into frozen foods. Houston-based Monterey House has found a new profit center in wholesaling.

Pizza Hut founder Frank Carney is erecting a dream palace called the China Rose, which recreates a Hong Kong street scene like a miniature amusement park.

Texas-based Mexican dinnerhouse chains, such as Ninfa's, Pancho's and El Chico, are tightening their grip on the regional market.

And the Old Spaghetti Factory in the Italian segment may return to its basics after a test of fresh-made pasta.

Aoki is using his nationally recognized Benihana Japanese steakhouse chain as a springboard into 10-minute frozen dinners sold in supermarkets. Already, Benihana frozen entrees have claimed a 30% share of oriental entree sales in New York and Los Angeles supermarkets.

"It's a natural thing to do with the Benihana name," said Joel Schwartz, president of Benihana National in Mi-

ami, which was spun off from Aoki's other holdings to finance the venture.

Supermarket sales could pull in half of Benihana National's revenue this year, Schwartz said.

Aoki bundled 15 Benihanas last year into Benihana National to fund the supermarket push, while retaining 60% of the publicly traded company's stock. Aoki kept private Benihana of Tokyo, which runs 21 Benihanas and collects franchise royalties from nine others.

Meanwhile the 45-restaurant Benihana system expects more moderate growth. A combination retail fish market and Japanese restaurant is due to open in August in Miami and Benihana National's 16th steakhouse is due in a Chicago suburb in March, Schwartz said.

Carney, now also a driving force behind Flakey Jake's, is fine-tuning the first China Rose.

Recently Customs House Restaurants founder Edward Engoron, president of the budding China Rose Inc., named David M. Hoof as senior vice president of operations.

Hoof would appear to have the right credentials for the China Rose concept. He is a 15-year veteran of the Disney organization, where he held various posts including food administration manager for the Tokyo Disneyland and food administration training manager at Walt Disney World.

SELECTED ETHNIC DINNERHOUSE CHAINS

Chain	Concept	Number of Units
Benihana Miami	Japanese	45
China Rose Dallas	Chinese	2
El Chico Dallas	Mexican	92
Monterey House Houston	Mexican	75
Old Spaghetti Factory Portland, Ore.	Italian	20
Pancho's Mexican Buffet Fort Worth, Tex.	Mexican	34

Source: NRN Research

"A street market for eating and drinking" is the line executives use to describe the China Rose's Hong Kong theme.

The 16,000-sq.-ft. full-service facility seats 600 in an ambience that shudders and shakes with mock monsoons complete with thunder and lightning. There's dancing in the Dragon's Lair lounge and a game center.

Founded in 1982 by Carney and Engoron, the first opened in Arlington, Tex., a second is due at a Dallas shopping mall and, a spokesman adds, "there will be more."

Ever since the founding Cuellar family bought their El Chico family-priced Mexican dinnerhouse chain back from Anheuser-Busch in 1982, the born-again company has been pouring funds into updating and remodeling the chain.

The Dallas-based El Chico has carved out a niche in Texas as a relatively low-volume operator that larger El Torito and Chi-Chi's have been unable, or unwilling, to challenge.

At the end of the company's second fiscal quarter in November, El Chico posted quarterly earnings of \$877,000, an 11% year-to-year gain, on revenue of \$20.3 million, a 19% advance. There were 92 restaurants open, 76 of them company-owned, compared with the year before when there were 89 restaurants, 78 of them company-owned.

Now only about 30% of Monterey House's production of beef, bean and chicken fillings and sauces goes to its restaurants, which typically gross about \$700,000 annually from 160 seats.

Ninfa's Inc., a Houston-based chain of 11 Mexican dinnerhouses, plans to begin franchising this year, but with a twist.

Franchisees would be, in effect, simply investors, while Ninfa's management would run the restaurants.

"Ninfa's would operate the restaurants, as some Hilton Hotels are operated by Hilton even though they're owned by others," said real estate vice president Tom Laurenzo, son of founder Ninfa Laurenzo.

The company is scouting franchise sites in San Antonio, Tex., and Washington, D.C. Four or five of the six units planned through 1987 would be franchises.

The 16-year-old, 16-restaurant Old Spaghetti Factory chain, which covets locations in city warehouse districts across the nation, is testing fresh-made pasta, but founder Gus Dussin doesn't seem crazy about the idea.

"I'm not convinced it adds to a better product," said Dussin, head of the Portland, Ore.-based chain, "I question the trend that has glorified home-made pasta."

Not only that, but it adds one per-

'Most of the chains that remain are on new growth paths with a varied mix of proven concepts or new ventures.'

El Chico's newest concepts target alcoholic beverage sales under the banners of Casa Rosa and Cactus.

Houston-based Monterey House, a 75-restaurant Mexican dinnerhouse chain which faces slowed new unit expansion and underused capacity in its tortilla and tamale factories, has moved into the wholesaling business.

Sales to institutions and contract feeders in 25 states now account for only 8% of the company's \$50-million-a-year revenue, but, said chairman David Garza: "Our food-service division has been extremely helpful in laying the groundwork for our new franchising program."

The 27-year-old company built its first commissary in 1961, but expansion of its two facilities in the late 1970's and early 1980's came just as restaurant growth began to slow.

centage point to food costs, he noted, in the four units where it is being tried.

Customer reaction to the switch back to store-bought noodles will be monitored closely. "If they want [fresh pasta] back, you can bet we will."

Meanwhile, the Old Spaghetti Factory has three additional restaurants open in Japan and one in West Germany. Forty-seven more are due in Japan by 1990, Dussin said, "and that's not smoke."

Pancho's Mexican Buffet Inc. of Fort Worth, Tex., is going back to the financial markets, planning to issue 800,000 additional shares of stock.

For now, Pancho's is keeping growth close to home. "We feel we still have plenty of room to grow in our existing four-state market area before reaching saturation," president Hollis Taylor told stockholders recently.



Benihana, a Japanese steakhouse, has spun off a line of frozen dinners.

FOCUS | NRN

Regional fast-feeders find different formulas

By Mark Schoifet
When smaller fast-food chains compete against McDonald's and other industry giants, there is no set formula for success.

Some second-tier chains strive for simplicity, while others believe a varied and flexible menu is the key to higher traffic. Some companies favor well-paced expansion; others are wary of stretching too far beyond their established markets.

Sometimes, what was once a successful strategy can take a turn for the worse. Both Naugles and G. D. Ritz's, two once-promising chains featured in last year's special report on second-tier chains, are now performing poorly.

Naugles, Harold Butler's Mexican-American chain, has been hurt by an unsuccessful foray into franchising. The chain posted a net loss of \$232,000 in the quarter ended Jan. 10, compared with a \$748,000 profit in the year-earlier period.

G. D. Ritz's, which specializes in cooked-to-order burgers and premium ice cream, has been hurt by overexpansion and its image as primarily an ice cream parlor. Ritz's stock plummeted from about \$9 to \$1.75 as the chain lost \$1.6 million on revenues of \$10.6 million in the first nine months of 1984.

For three successful sandwich chains—Schlotzsky's, Blimpie's and Subway—simplicity is the byword.

"At Schlotzsky's, we feel our strength is in our simplicity," said Bill Keese, vice president for franchise sales at the 175-unit Austin, Tex.-based chain. "That goes across all menu lines—menu, operations, every facet of Schlotzsky's."

Schlotzsky's offers 4-, 6- and 8-in. sandwiches that combine three meats, three cheeses, lettuce, tomatoes, black olives and seasoning on a fresh-baked sourdough bun. In addition, a turkey breast sandwich was rolled out last year, and roast beef is available to franchisees as an optional item. Franchisees also have the option of putting in a soup and salad bar.

Systemwide sales for the current fiscal year are expected to top \$40 million, with average same-store sales up 12% to \$225,000. After a three-year freeze, Schlotzsky's is now poised for national expansion.

When Austin businessman John C. Wooley purchased Schlotzsky's in 1981, he said the internal management needed restructuring before the chain

could embark on a successful franchising program.

"You can lose your credibility if you expand too fast," Keese said. "We're glad we waited."

During the freeze, the company revamped its signage, improved its training programs, expanded its manuals for franchisees, beefed up management and tested new menu items, Keese said. Schlotzsky's goal is 350 units by the end of 1987.

Blimpie's, once perceived as a New York-area chain, now has about half of its 215 units outside of that area, in-

every day," he said. "We don't mind being next to the big guys. We think we're the best at what we do."

Blimpie's posted systemwide sales of \$60 million in 1984, up from \$55 million in 1983. Average unit sales hit \$300,000, up 7%. Average check price is \$3.35.

Another profitable sub chain takes a different approach than Blimpie's. Subway of New Milford, Conn., has twice as many units (416) and about half the average unit sales (\$156,000). The \$70 million chain prefers the low start-up costs and the ease of opera-

by about 5% of Skipper's customers.

"We think it's a product that's going to develop a real following," Lesourd said.

Systemwide sales at Skipper's rose 26% to \$73.8 million in 1984, with unit sales jumping from \$420,000 to \$460,000. Average check price is \$3.61.

One chain that favors an extensive menu rather than a simple one is Druther's, a 161-unit fast feeder based in Louisville. Druthers, formerly known as Burger Queen, has been moving away from burgers toward menu variety. Salad bars and break-

SELECTED FAST-FOOD CHAINS

Chain	Systemwide Sales (In Millions)		Average Same Store Sales (In Thousands)		Average Per Person Checks		Number of Units		Menu Price Hikes	
	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984
Orange Julius Santa Monica, Calif.	\$108.0	\$117.0	\$176	\$186	\$2.10	\$2.15	700	730	N/A	5.0%
Skipper's Bellevue, Wash.	58.6	73.8	420	460	3.50	3.61	151	173	N/A	4.4
Schlotzsky's Austin, Tex.	37.5	40.0*	200	225	3.25	3.55	185	175	N/A	3-5
Subway Milford, Conn.	45.0	71.0	150	156	3.15	3.25	326	416	2%	0.0
Druther's Louisville, Ky.	94.0	100.0	573	630	2.35	2.40	156	161	N/A	N/A
Stuff Yer Face New Brunswick, N.J.	1.9	2.5*	650	680*	5.00	5.00	3	7	5	5-8
Blimpies New York City	55.0	60.0	280	300	3.25	3.35	200	215	N/A	N/A

*Projected

Source: NRN Research

N/A = Not Available

cluding stores in Atlanta, Houston and Boise, Idaho. In fact, one Blimpie's in Atlanta is grossing in excess of \$8,000 a week, according to Chuck Leanness, vice president of franchise development and real estate manager.

Leanness said that he, too, believes simplicity enables Blimpie's to compete successfully. The chain has maintained virtually the same menu for years. Recent additions include chili (1983) and the "Bigger Bite" submarine, which contains about 50% more meat and cheese. The "Bigger Bite," introduced last year, sells for \$2.70, Leanness said.

"I think the success of Blimpie's is the simplicity of operation," Leanness said.

He noted that in many cases, Blimpie's are located adjacent to the burger giants.

"Nobody is going to eat a hamburger

Typically, the units are small enough to be operated by one employee.

Subway specializes in 18-ft.-long submarine sandwiches. It is in the process of a new bread-baking program and a rollout of a chocolate chip cookie.

Frederick DeLuca, vice president and general manager, said Subway would have a net gain of 175 units this year. He said he is not worried about expanding too fast.

"If we weren't in a position to handle it, we wouldn't do it," DeLuca said.

Subway recorded systemwide sales of \$71 million in 1984, a 58% increase. Unit sales increased to \$156,000 from \$150,000. Net income for 1984 was \$1.5 million; projected net profit for 1985 is \$2.3 million, DeLuca said.

Skipper's, a 173-unit fast-seafood chain based in Bellevue, Wash., is concerned about retaining its market niche, especially in Denver and California, where it faces stiff competition from segment leaders Long John Silver's and Captain D's. The chain attributes its success—a \$2.02 million net profit in 1983, up 93%—to product, service, staff morale and a carefully honed niche.

"One of the things you have to be careful about in our business is retaining your market niche," said Chris Lesourd, Skipper's executive vice president. "We are a fast-food restaurant. We may be a bit more upscale than some others, but we are fast food."

"You've got to be careful of expanding to the point where it's impossible to be fast food," he added. "We're very sensitive to that."

Skipper's was one of the first chains, if not the first, to introduce bite-size salmon bit pieces that are breaded and fried. The new product sells for \$2.99 or \$3.49 and is currently being ordered

fasts have overtaken burgers in the overall menu mix. New product introductions in the past few years have included a larger burger, breakfast biscuit sandwiches and an ice cream item. In test now is a boneless pork chop that the company hopes will have appeal at both breakfast and dinner.

Druthers' president and chief executive Thomas Hensley said that the menu variety helps prevent "menu fatigue." They can visit us several times a week and not have the same product," he said.

Druthers has also capitalized on its expertise in penetrating small-town markets and its relatively low preopening costs, Hensley said.

"We have 22 years of experience in small-town markets and we have some experience in properly evaluating what small towns have a good market," Hensley said.

Druthers posted systemwide sales of \$100 million in 1984, compared with \$94 million for the previous year. Average unit sales increased from \$573,000 to \$630,000. Average check price is \$2.40.

Location and a unique product are two keys to success for Stuff Yer Face, a seven-unit chain specializing in a closed pizza-dough sandwich known as a stromboli. Because of the stromboli's appeal to college students, the New Brunswick, N.J.-based chain favors urban or suburban sites near a university. It has units in New Brunswick (Rutgers University), South Orange (Seton Hall), Washington, D.C. (Georgetown), Newark, Del. (University of Delaware) and Long Branch, N.J. (Monmouth College).

Stuff Yer Face also plans to build two more of its saloon-style restaurants in College Park and Towson, Md., two more college towns.



Orange Julius has carved out for itself quite a successful niche.

FOCUS | NRN

'Healthy' fast-food chains banking on fitness craze

By Ken Frydman

Is the so-called "healthy" food-service segment a passing fad or a legitimate long-term competitor with traditional fast-food chain restaurants?

D'Lites, Fresher Cooker, Skinny Haven, Red Barn, Super Salads and others have yet to prove themselves with the McDonald's, Burger Kings, Wendy's and Arby's of the fast-food world. But the new kids on the block say they are banking on America's love for fewer calories and more nutrition lasting beyond the current fitness and health craze.

D'Lites and Fresher Cooker are leading the way in this young "lite" food niche with menu innovations and merchandising strategies. Both D'Lites and Fresher Cooker are developing high profiles as they continue to open units and build a market base.

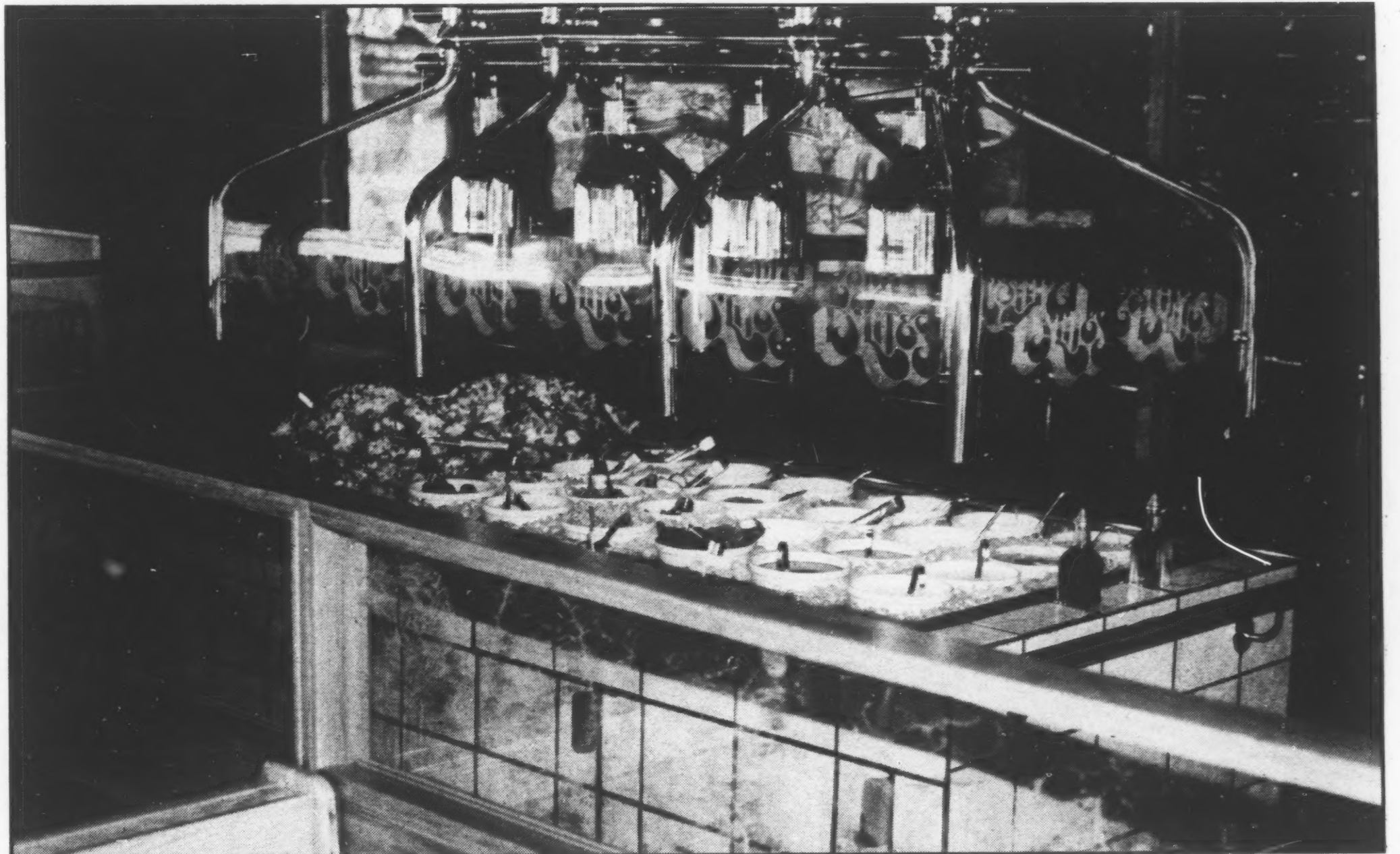
The 21-unit Fresher Cooker, based in Louisville, recently signed Frank Dwyer as its new president and chief executive. Dwyer, the former president and chief executive of the A&W restaurant group and later operations executive vice president of the Acapulco Mexican dinnerhouse chain, has inherited a chain whose \$511,511 net loss in third quarter 1984 was its most ever for a single quarter.

"We can't make the company profitable within the next quarter or two, but we will try to streamline operations, increase average per-unit sales and decrease costs," said Dwyer, 43. "Everyone knows the losses of this company. Turning it around represents a big challenge."

Mark S. Weiss, the previous president of Fresher Cooker, built the chain on a menu of freshly made, nonfried lighter food items including sandwiches, pasta dishes, vegetable side orders and baked potatoes. At the time of his resignation due to illness, Weiss had been working to revamp Fresher Cooker's decor and menu, creating more of a "restaurant" and less of a fast-food operation.

"At first we wanted to be a fast-food alternative to all the units serving one-concept fried, greasy food items," said Weiss. "To do this, we tried to look like the fast-food restaurant of the 1970's."

Since it opened its first unit on Atlanta's Peachtree Road in December 1981, D'Lites of America has become



Salad bars, like the one above, are only part of D'Lites concept of eating "lite."

the prototypical low-calorie, high-protein fast-food chain. There are 47 D'Lites units in operation, 38 franchised and nine company-owned.

D'Lites prominence is built on its founder, Doug Sheley, and franchisees, an array of familiar names including

contains 400 to 500 fewer calories. The average D'Lites customer is a 30- to 40-year-old, upscale junior executive in the \$25,000-\$40,000 income range.

Despite its reliance on items containing a minimum of calories, saturated fats, carbohydrates and cholesterol,

Meanwhile, the failed Red Barn fast-food hamburger chain is also getting on the healthful foods bandwagon. Red Barn is converting the majority of its remaining 33 units to a reduced-calorie, no-frying concept called Lite Stuff.

Ironically, the Lite Stuff concept will compete directly with remaining Red Barns as well as the Big Three hamburger chains. Most Red Barns today operate in Ohio, New York State and Washington, D.C. Those are markets heavily infiltrated by McDonald's, Burger King and Wendy's.

"We're trying to draw fried chicken customers away from Kentucky Fried Chicken, Popeyes and Bojangles' with our flame-broiled chicken and hamburger customers away from McDonald's, Burger King and Wendy's with our lean hamburgers," said Dale Harvey, executive vice president and general manager of Red Barn Restaurants and its new Lite Stuff concept.

Elliott Reinstein, co-owner with his two brothers and father of the nine-unit, Newton, Mass.-based Super Salads chain, believes the healthier food trend is "here to stay for quite a while, but certainly not forever." Super Salads grossed \$5 million in systemwide sales last year.

The Reinstens are so confident of the healthy food segment's staying power that their management company, Delb Restaurant Management, will soon open a more sophisticated version of Super Salads, dubbed Pistachio's.

"Unlike most Super Salads, Pistachio's will be full service with a liquor selection," said Elliott Reinstein. Like all Super Salads, the two Pistachio's prototypes will be located in the New England region.

Super Salads, which features an extensive soup and salad menu, is primarily an in-line shopping mall operation, with seating in common food courts. Average per-person checks are \$3 in the "express" mall units and \$4 to \$4.50 in the two full-service restaurant sites, according to Reinstein.

'The standard 112-seat, 3,000-sq.-ft. D'Lites unit is hitting \$1 million in annual gross sales.'

former Heisman Trophy Winner Herschel Walker and former Kentucky Governor and Kentucky Fried Chicken principal, John Y. Brown.

The standard D'Lites item has 150 to 200 fewer calories than the fast-food competition's; the typical D'Lites meal

D'Lites is not overlooking the fast-food purist.

"You can order baked potatoes or french fries, sparkling apple juice, regular or sugar-free soda and light or regular salad dressings," said Sheley. "We give our customers many alternatives and reasonable choices."

The standard 112-seat, 3,000-sq.-ft. D'Lites unit is hitting \$1 million in annual gross sales. Food costs average 32½% of sales, labor costs, 20% of sales. The average check is \$3.

Sheley conceived of the D'Lites theme in 1978 as owner of three health clubs. He learned much of what he knows about the fast-food business during the 1970's as a franchisee of 18 eastern Tennessee Wendy's units.

In California, Skinny Haven has a mixed bag, full-service concept. It serves a potpourri of healthy foods.

Unlike D'Lites, Fresher Cooker, Super Salads and Red Barn, the 23-unit Skinny Haven operation is geared toward the diet-conscious consumer. Its 2,000-sq.-ft., 80-seat units served low-calorie items like taco salads, "Skinny" burritos and chicken enchiladas.

But Skinny Haven's menu and customer base design haven't paid off yet. The chain grossed \$15 million in its three-state trading area last year, down from \$17 million in 1982 when it was a 27-unit operation.



Flame-broiled chicken and leaner burgers are now a part of Red Barn's Lite Stuff concept. Lite Stuff competes with the big burger and chicken chains.

FOCUS | NRN

Dinnerhouses hungry for new ideas as sales slump

NRN Special Report

While second-tier dinnerhouses were once nimble, quick-to-respond restaurants that could react to competition and the economy faster than their national counterparts, many are now facing sales slumps and are looking at new menus and new concepts for growth.

Although smaller has often meant better for regionally successful chains, the factors affecting the dinnerhouse segment this year are blind to size. Analysts are predicting an annual sales decrease of 6% for the entire segment in 1985. Seafood dinnerhouses seem to be particularly hard hit owing to the sensitivity of seafood prices, competition from independents and labor costs.

The Hungry Tiger chain of 41 seafood dinnerhouses based in Van Nuys, Calif., suffered a 5% drop in sales in the first quarter of this year, compared with last year's figures.

The sales slump has got Tom Amberg, director of marketing, interested in what diners are looking for today that they might not be finding at a seafood dinnerhouse.

His answer is HT's, a concept with an emphasis on "fun" which was created from a Hungry Tiger unit with disappointing sales figures.

HT may become Hungry Tiger's second chance on the second tier. The restaurant is loaded with customer-appealing features such as a trendy, high-tech decor; finger foods; calzone; pasta dishes; and mesquite-broiled seafood.

Hoping to make 35% of sales in liquor, the restaurant offers free shrimp, clams, cheese wheels and vegetable appetizers to the clientele at happy hour.

Lobbies are decked out with electronic monitors that tell customers of upcoming events.

The switch to a younger market may be the answer for Hungry Tiger. For



A 5% first-quarter sales slump has Hungry Tiger taking a new look at what diners want.

the 15-unit Rusty Pelican chain based in Irvine, Calif., a marketing strategy that helped the company achieve annual growth rates of 25%-30% for many years is still in use. Three Rusty Pelican restaurants are planned for 1985 and all will use the carefully orchestrated marketing plans which define separate markets for different meal periods. Despite a softening of sales in the third and fourth quarters of 1984, the restaurant will continue to develop programs around its dinner, lunch, cocktail, late evening entertainment and Sunday brunch business segments.

The company continues to evaluate its menu in relation to the market segment served and has added top sirloin steak, chicken teriyaki and other specialty dishes. A fresh seafood bar offering oysters, clams, shrimp, crab and other hot and cold appetizers will be expanded from its base in 10 of the chain's units to all units.

Widening the customer base has been a challenge for most dinnerhouses which are competing with ethnic and casual-theme concepts for the

customer's dollar. The 31-unit Rusty Scupper chain based in San Mateo, Calif., has borrowed "fun food" from its competitors to attract a younger following. Elements of the chain's new Donegal's concept—such as oversized desserts, mesquite-grilled seafood with red skin potatoes and additional sautéed items—may find their way onto the Rusty Scupper menus.

Other "fun" elements of the Donegal's concept include the Fried Balloon, a basket of fried wontons with a helium balloon attached, crayons provided for doodling on white placemats and dishes such as the Banana Split Salad (three scoops of chicken, shrimp and egg salad) and Spaghetti and Meatballs (vanilla ice cream "pasta" with strawberry sauce and chocolate "meatballs").

Two Rusty Scuppers, which had been losing money, were closed during the year in Iowa and Connecticut.

But second-tier seafood dinnerhouses are not the only concepts which have had to add new menu and entertainment-type features to their operations.

Tony Roma's, the 35-unit chain featuring barbecued chicken and ribs, has recently added more finger foods in order to attract the young professional crowd and increase traffic counts.

"We don't want someone to say, 'We can't go to a Tony Roma's because all they have is ribs,'" says Tom Mcrary, marketing director for the chain.

The Tony Roma menu now includes larger chicken fingers, potato skins and pasta salads.

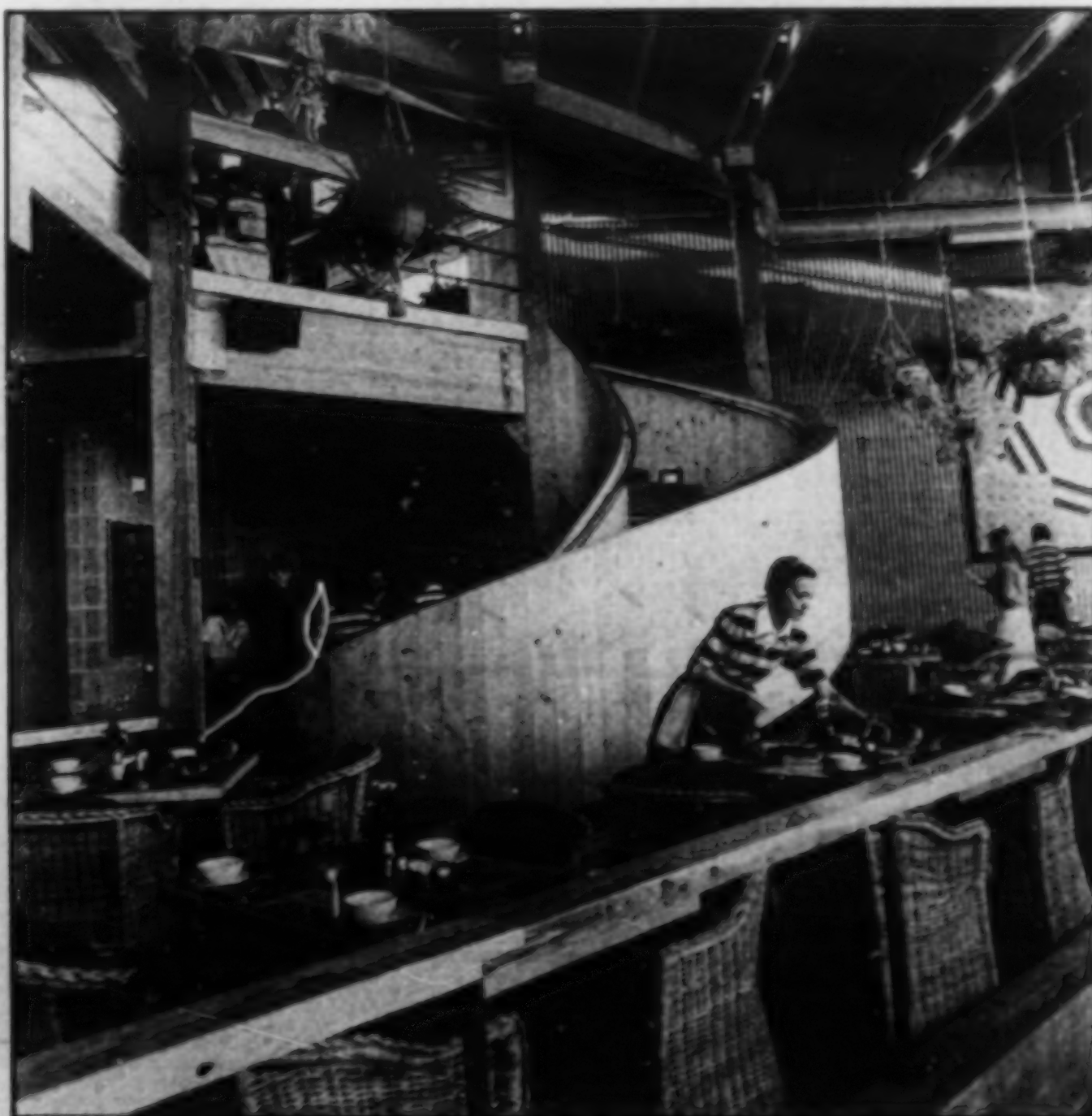
Like Bobby Rubino's, the second-tier barbecue and chicken chain based in Fort Lauderdale with 26 units, Tony Roma's is shooting for a more broadly based menu.

Bobby Rubino's offers the customer more than barbecued ribs, chicken and baby back ribs, even though these items account for 75% of sales. The chain has been able to capture a large audience by offering nonbarbecued entrees.

"We not only want to attack market share with our menu . . . we want to try to stay one step ahead of the competition," said Rod C. Sheldon, director of marketing.



The 35-unit Tony Roma's barbecued ribs dinnerhouse recently added more finger foods, including larger chicken fingers and potato skins.



The 31-unit Rusty Scupper chain has borrowed "fun food" from its competitors to attract a younger clientele.

FOCUS | NRN

Second-tier family chains work to fight loss of breakfast sales

By Howard Riell

Second-tier family restaurants across the country are playing on local appeal and price-value perceptions in an effort to hold their ground against the nationals and stave off slow but certain erosion of their breakfast markets by fast feeders.

National Restaurant Association figures show fast feeders' slice of the morning market rising by 13.6% during the last six years. For the same period, family-restaurant chains can boast only a 0.3% increase.

While segment leaders like Denny's, IHOP, Howard Johnson, Perkins and Marriott's Big Boy branch out in search of new markets, regional competitors tend their roots, content for the most part to flower in the shade.

John Dankos, president of Dankos Enterprises in Richmond, Va., called local appeal "a definite advantage" for his 25-year-old, eight-unit Aunt Sara's House of Pancakes and Steak chain. "We try to put back whatever we get from the community. I'm not saying the bigger companies can't do this, but I think we do a better job."

Putting back into a community means encouraging managers of the privately held chain to get involved in local activities. Mrs. Dankos was Richmond's Christmas mother; Dankos himself was president of the locally held National Tobacco Festival, and works regularly with the Boy's Club.

Aunt Sara's notched systemwide sales of \$10 million last year, on average checks of \$3.55. All units are company owned, and feature dishes like corned beef hash with eggs, potatoes and grits, for \$2.75, and sausage and gravy on waffles, for \$2.40. Dankos said he's "very happy" with the chain's image as "the freshest guys in town," illustrated in recent chicken parmigiana and chicken breast with salad roll-outs. Both sell for \$3.95.

"Maybe it sounds a little simplistic, but we feel we just have to do a better job," said Leo Bandieri, director of retail operations for 36-unit Newport Creamery. The chain's marketing plan calls for "informing customers that price vs. quality, we have much better value than out competitors."

With ice cream making up between

40% and 50% of sales for the privately held, Worcester, Mass.-based chain, average tabs of only \$2.55 brought in \$18.6 million systemwide for 1984. Each unit collected an average \$565,000 in yearly sales. Menu price rises have held steady over the last two years, at between 5% and 6%.

Now redecorating and adding more comfortable seating for young families, the chain offers hot fudge sundaes with whipped cream for \$1.40 and nine Colossal Sundaes, priced at \$2.50. Flavors include Turtle, M&M, chip and fudge and strawberry shortcake, and come served in goblets. Mainstay of the hot-food menu is the Super Burger, a 6-oz. patty on a knotted roll, that sells for \$2.

Executives of Frontier, parent company of 22-unit Jim's Family Restaurants, "pay closer attention to our units than the nationals can," according to president and chief executive Jim Hasslocher. The San Antonio-based chains, one of several concepts run by Frontier, pushes friendly service, quality food and good atmosphere in its ads, but never mentions competitors or prices because "We don't want to get into a war," division manager Richard Hahn said. While noting that the menu and general pricing structure of a Denny's restaurant is "close to ours," Hahn said that "some of their specials knock us out of the ballpark." Jim's restaurants garnered \$1.2 million per unit last year, on average checks of \$3.25. Systemwide, sales totaled \$13 million.

The addition of several Mexican items to the menu is targeted at helping late night sales. But, Hahn said, "It's the old-time stuff that sells, like chicken fried steak. Give them something fattening and they love it. High-calorie items are the big sellers." The chain rolled out a croissant sandwich midway through last year, priced at \$4.25. Results were "only so-so." More effective rollouts steak and enchiladas, for \$5.85, and Carne Guisad (beef tips on rice with Mexican spices in a flour tortilla), for 95¢.

"We're closer to the people," said Dan Evins, chairman and president of 38-unit Cracker Barrel Old Country Stores. The chain blends a rustic,



Bob Evans Farms' morning sales began to rise following introduction of its \$2.45 breakfast special.

country store setting with a menu filled with regional specialties to produce average per unit sales of \$1.65 million, on average per-person checks of \$3.80. With gift shops on premises, the chain tallied \$56 million in sales in 1984. Expansion plans call for eight new units in 1985.

"Evins looks at fast feeders as a force with which he must soon contend, noting, 'I sometimes wonder if they'll get it all.' He said, however, that "we're already sitting where they're coming to," pointing to a varied southern, rural menu which includes ham and eggs, breakfasts, buttermilk pancakes with real butter and pure maple syrup for \$2.50, and country dinner plates for \$2.95. The chain recently rolled out sour dough bread for all its sandwiches, raising their prices an average 10%.

At L-K Restaurants, unit managers are given more flexibility in changing and blending regional menu items to suit taste trends. The 81-unit, Marion, Ohio-based chain "tries to identify with the community [and] become part of [it]," president and chief operating officer Paul Ludwig said. Newspaper ads designate restaurants as "Your Delaware," or "Your Marion L-K restaurant."

Ludwig sees fast food becoming more of a direct competitor, one which has "absolutely cut into breakfast sales" at least 5% to 6%. "Everybody's squeezing into the middle, into the family market," he said. Breakfast

now makes up about 28% of the \$35.5 million in systemwide sales the wholly owned company chain recorded last year, down from \$37 million in 1983. Per-unit sales were \$335,000, said Ludwig, on average checks of \$2.83. But, he emphasizes, the pressure from fast feeders is being felt. "We've got to push like the devil to tell people we have everything available and full service."

At 118-unit Bob Evans Farms, breakfast sales are showing the healthiest sales rise of the year following a new \$2.45 breakfast offer meant to compete with Denny's \$1.99 breakfast. "I thought we'd get [it] thrown right back in our faces," said marketing vice president Roger Williams. He added that Bob Evans "didn't want to fight a \$1.99 battle," but that, though the price is higher, perceived value at his chain was greater. Williams called a local McDonald's unit "one of our best neighbors" for all the customers it has brought to his door.

The chain, based in Columbus, Ohio, had systemwide sales of \$120 million in 1984, with individual units pulling just over \$1 million each. The company rolled out charbroiled dinners in three markets in December. Priced from \$5.95 to \$7.95, sales are reportedly exceeding projections. Dinners include Bar-B-Que chicken, St. Louis-style ribs, choice rib eyes, port chops and halibut steak. The chain is also experimenting with 24-hour units on Friday and Saturday nights in the hopes of strengthening its late-night dinner segment.

"San Francisco is one of the last bastions not yet infiltrated by the big boys," said John Latchford, president of Zim's. Despite that, his 12-unit chain utilizes what he calls "special target marketing," always referring to an area, an age group, or some other common bond.

Latchford is unphased by fast feeders' entry into the breakfast market, saying they're not yet a major player in the local scene. "But," he said, "they do provide an alternative." Of \$13.2 million in systemwide sales last year, more than 23% came from breakfast, another 40% from lunch.

One sandwich being offered by a fast feeder was adapted to the Zim's style and placed into the system last year; the Bar-B-Que chicken sandwich, which sells for \$3.65, has become the chain's second biggest seller, according to Latchford. More recent rollouts, Turkey and Beef Supreme sandwiches, with sprouts, avocado, lettuce and tomato, sell for \$3.95 and garner about 3% of sales each.

SELECTED FAMILY RESTAURANT CHAINS

Chain	Systemwide Sales (In Millions)		Average Same Store Sales (In Thousands)		Average Per Person Checks		Number of Units		Menu Price Hikes	
	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984
Big Wheel/Wheel Works Highland, Ind.	\$ 6.5	\$ 5.5	850	850	\$4.25	\$4.25	9	7	2.5%	3.5%
Bob Evans Farms Columbus, Ohio	104.0	120.0	1,200	1,200	N/A	N/A	90	104	4.0	3.5
Cracker Barrel Lebanon, Tenn.	44.0	56.0	1,500	1,700	3.50	3.80	26	37	7.0	7.0
Dankos Richmond, Va.	8.3	10.0	1,000	1,000	3.20	3.55	7	8	8.0	8.0
Frontier San Antonio, Tex.	12.0	13.0	1,100	1,200	3.00	3.25	19	22	6.0	6.0
L-K Marion, Ohio	37.0	35.5	335	335	2.78	2.83	104	95	0.0	5.0
Newport Creamery Middletown, R.I.	17.3	18.6	537	505	2.36	2.55	33	36	5.5	5.5
Svensen's Phoenix, Ariz.	28.0	N/A	650	N/A	N/A	N/A	115	135	3.0	N/A
Zim's San Francisco	13.0	13.2	1,000	1,100	3.95	4.10	13	12	5.0	3.8

N/A = Not Available

Source: NRN research

FINANCIAL NEWS

NRN Index drops 0.5 pts. despite record Dow closing

(Continued from page 174)

12.5% to close at \$9 a share. This activity came despite a reported loss of \$537,000 in the quarter ended Jan. 28.

Sea Galley, on the other hand, reported net profit of \$8.5 million for the year ended Dec. 30, compared with a loss the previous year. That news made Sea Galley one of the week's leading gainers.

Beefsteak Charlie had the highest increase in stock price last week: up 37.5% to \$2.75.

G. D. Ritz's, which last week reported a net loss of \$4.3 million for 1984, was the week's second leading price-change loser, down 16.7% to \$2.50.

The stock with the greatest volume trend change last week was Pancho's Mexican Buffet. The total weekly volume was 12.9 million shares, an 812.3%

increase. Despite this activity, Pancho's stock price rose only 3.4% to close at \$7.63. The company recently filed an 800,000-share offering.

Among the widely held restaurant issues, Church's, McDonald's and Wendy's all hit yearly highs last week. Church's, which recently reported that net profit for last year was up 35% over the previous year to \$42.5 million, hit \$37 a share.

VOLUME TREND LEADERS

Company Name	Volume Trend Change %	Company Name	Volume Trend Change %
Pancho Mex Buffet	812.3	Dunkin Donuts	145.8
Hilton Hotels	342.2	Piccadilly Caf	113.5
Sea Galley	242.3	El Chico	102.4
Cracker Barrel	179.3	Sonesta Intl	100.0
Max Erma's	160.8	Skippers	90.3

TOP TEN GAINERS

Company Name	Weekly Price Change %	Company Name	Weekly Price Change %
Beefsteak Char	37.5	Rax Restaurants	12.5
Max Erma's	26.7	Sea Galley	12.3
Esteban Foods	21.4	Cracker Barrel	11.8
Mr Steak	15.8	Assoc Hosts	11.3
Nathans	15.4	El Chico	7.9

TOP TEN LOSERS

Company Name	Weekly Price Change %	Company Name	Weekly Price Change %
1 Potato 2	-23.5	Calibre Cp	-8.3
Ritz's G D	-16.7	Hilton Hotels	-8.2
Peoples Rest	-10.0	DLites Of Amer	-6.8
Intl Dairy Queen	-9.9	So Hospitality	-6.8
Kapok Cp	-8.3	Nati Pizza	-5.4

Company and Market	Stock Market												Financial Update																				
	Price								Volume				P/E	Indicated		Latest Report			Latest Quarter						Year-to-Date								
	3-Mo. Change		Weekly Change		52-Week Range		Weekly		12-Week		Trend	Divd.		Rate	New	Period	Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.					
	Ant.	Pct.	High	Low	High	Low	Shares	% Out	Avg. Vol.	% Out								Ant.	Chg.	Ant.	Chg.	Ant.	Chg.	Ant.	Chg.	Ant.	Chg.	Ant.	Chg.	Ant.	Chg.	Ant.	Chg.
	\$	%	\$	\$	\$	\$	(100)	%	%	%								\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Food-Service Operators																																	
A&M Food Svcs	M	5.63	.00	.0	6.00	5.38	7.50	3.50	346	.97	.88	10.2	16.1	.00	.0	9 mos.	09-84	8.1	26.6	.4	.0	.11	-26.7	22.1	28.5	1.1	22.2	.30	-14.3				
Acapulco Rests	O	4.25	.00	.0	4.50	4.25	5.00	3.50	22	.09	.86	-86.4	17.0	.00	.0	fiscal	10-84	10.3	5.1	.3	NE	.11	NE	38.6	1.8	.6	NE	.25	NE				
Amer Rest	O	4.13	-.13	-2.9	4.38	4.13	6.00	2.38	15	.07	1.02	-93.1	21.7	.00	.0	9 mos.	10-84	4.6	21.1	.1	.0	.02	-71.4	13.6	20.4	.3	.0	.12	-40.0				
Assoc Hosts	M	13.50	1.38	11.3	13.50	12.00	17.13	10.50	1,892	4.28	2.69	59.1	16.3	.12	.9	3 mos.	12-84	22.5	-1.3	.7	-12.5	.16	-11.1	22.5	-1.3	.7	-12.5	.16	-11.1				
Beefsteak Char	A	2.75	.75	37.5	3.00	2.00	4.63	1.75	996	1.76	.93	89.2	NE	.00	.0	fiscal	10-84	23.5	7.8	(6.3)	NE	(1.13)	-100.0	32.2	-3.2	(8.0)	NE	(1.43)	-100.0				
Benihana Natl	M	19.25	.50	2.7	19.63	18.63	19.25	5.00	775	2.67	3.53	-24.4	25.3	.00	.0	9 mos.	12-84	15.4	208.0	.7	75.0	.23	64.3	38.7	166.4	1.8	63.6	.82	47.6				
Bob Evans Farms	M	19.13	.88	4.8	19.13	18.25	20.25	14.75	1,457	.90	.78	15.4	18.6	.30	1.6	6 mos.	10-84	58.1	12.6	4.6	9.5	.28	12.0	112.1	13.3	9.0	8.4	.55	10.0				
Calibre Cp	M	1.38	-.13	-8.3	1.38	1.13	9.00	1.00	139	.46	.55	-16.4	NE	.00	.0	3 mos.	10-84	3.5	9.4	(.7)	NE	(.22)	NE	3.5	9.4	(.7)	NE	(.22)	NE				
Cahny Food	M	12.25	.25	2.1	12.25	11.88	12.25	7.25	553	1.22	2.77	-56.0	19.4	.16	1.3	9 mos.	11-84	13.6	24.8	.9	80.0	.19	46.2	38.6	18.0	2.3	53.3	.50	28.2				
Capt Crab	M	2.38	.00	.0	2.50	2.25	6.13	1.38	1,511	.99	1.38	-28.8	NE	.00	.0	fiscal	08-84	1.7	466.7	(.4)	NC	(.03)	NE	5.4	260.0	(1.0)	NC	(.08)	NE				
Carole Cp	N	11.13	.00	.0	11.25	10.63	11.50	7.13	908	1.17	1.12	4.5	15.9	.07	.6	6 mos.	11-84	36.3	23.5	1.8	63.6	.22	22.2	74.6	21.3	3.9	34.5	.50	4.2				
Chi-Chi's	M	11.25	-.38	-3.2	11.25	11.00	18.88	10.00	7,123	2.65	4.32	-38.7	16.8	.00	.0	6 mos.	10-84	52.3	40.6	4.5	2.3	.16	-15.8	97.5	34.1	9.5	18.8	.35	2.9				
Chili's Inc	M	24.38	1.00	4.3	24.50	23.38	25.63	12.75	612	1.36	2.50	-45.6	35.8	.00	.0	6 mos.	12-84	16.0	58.4	1.0	150.0	.20	81.8	31.0	52.7	1.9	137.5	.41	78.3				
Church's Fr Ch	N	36.75	1.88	5.4	37.00	34.88	37.00	21.38	3,332	1.77	2.33	-24.0	16.3	.80	2.2	NEW	fiscal	12-84	189.8	25.0	14.5	79.0	.77	140.6	545.3	20.0	42.6	34.8	2.26	36.1			
Collins Foods	N	20.75	.63	3.1	20.88	19.50	22.13	9.91	1,402	1.61	2.00	-19.5	16.2	.16	.8	6 mos.	10-84	114.8	16.5	5.1	15.9	.39	14.7	229.9	20.3	9.9	19.3	.75	15.4				
Concept Dev	O	8.00	-.25	-3.0	8.38	8.00	17.69	5.75	113	.22	1.87	-88.2	15.4	.00a	.0	3 mos.	09-84	10.9	19.8	.0	-100.0	.00	-100.0	10.9	19.8	.0	-100.0	.00	-100.0				
Conrad Prods	M	5.00	.00	.0	5.00	4.75	8.63	4.75	124	.35	.45	-22.2	14.3	.08	1.6	3 mos.	12-84	15.2	-1.9	.3	-25.0	.10	.0	15.2	-1.9	.3	-25.0	.10	.0				
Conrad Restaurant	M	5.50	.13	2.3	5.63	5.13	13.63	4.50	1,160	2.58	2.65	-2.6	91.7	.00	.0	6 mos.	11-84	20.9	32.3	(.4)	-100.0	(.11)	-100.0	42.0	32.9	(.4)	-100.0	(.10)	-100.0				
Cracker Barrel	M	14.25	1.50	11.8	14.50	13.00	23.50	11.75	1,153	3.24	1.16	179.3	15.2	.14	1.0	3 mos.	10-84	16.6	18.6	.8	.0	.26	-13.3	16.6	18.6	.8	.0	.26	-13.3				
Cucos Inc	O	5.25	.00	.0	6.00	5.00	5.25	2.75	147	.85	.72	18.1	40.4	.00	.0	NEW	3 mos.	09-84	1.7	142.9	.0	-100.0	.03	.0	1.7	142.9	.0	-100.0	.03	.0			
Diversifoods	M	9.63	-.13	-1.3	9.88	9.63	16.75	8.00	27,421	8.13	7.61	6.8	17.8	.34	3.5	6 mos.	12-84	133.7	6.8	(3.9)	NE	(.12)	NE	554.4	14.5	18.3	-10.7	.54	-11.5				
DLites Of Amer	M	12.00	-.88	-6.8	12.50	12.00	15.50	10.88	1,726	3.42	3.90	-12.3	NM	.00	.0	9 mos.	12-84	2.8	86.7	.2	100.0	.04	33.3	7.5	70.5	.3	50.0	.09	28.6				
Dunkin Donuts	M	27.13	-.63	-2.3	27.75	27.13	28.00	18.38	2,524	5.31	2.16	145.8	13.9	.32	1.2	NEW	3 mos.	01-85	140.7	589.7	2.6	13.0	.54	17.4	140.7	589.7	2.6	13.0	.54	17.4			
El Chico	M	10.25	.75	7.9	10.25	9.50	10.25	7.25	1,187	2.55	1.26	102.4	13.1	.00	.0	NEW	9 mos.	02-85	20.6	6.7	.9	.0	.19	-5.0	61.8	7.1	2.7	.0	.58	-3.3			
El Torito Rest	N	14.63	-.13	-.8	14.75	13.88	14.88	9.13	906	.82	.85	-3.5	15.1	.00	.0	6 mos.	12-84	61.1	13.6	2.1	16.7	.19	35.7	250.1	18.7	11.1	29.1	.97	42.6				
Fast Food Oper	O	.75	.00	.0	0.88	0.75	1.88	.89	136	.23	.92	-75.0	15.0	.00	.0	NEW	3 mos.	03-84	1.7	13.3	.0	NC	.00	-100.0	1.7	13.3	.0	NC	.00	-100.0			
Flakey Jakes	M	7.88	.13	1.6	8.00	7.75	9.13	5.13	2,893	4.15	2.43	70.8	NE	.00	.0	9 mos.	09-84	3.3	371.4	(.3)	NE	(.05)	NE	6.6	340.0	(.7)	NE	(.11)	NE				
Fresher Cooker	O	3.00	.00	.0	3.38	3.00	6.75	3.00	93	.55	.43	27.9	NE	.00	.0	fiscal	12-83	NC	NC	NC	NC	NC	NC	2.4	-4.0	(.9)	NE	(.54)	NE				
Frisch's	A	20.00	.00	.0	20.00	19.38	20.88	12.00	38	.06	.20	-55.0	17.2	.22	1.1	6 mos.	11-84	30.1	9.5	1.2	20.0	.28	33.3	70.6	8.3	2.9	7.4	.86	8.2				
Fuddrucker's Inc	M	11.13	.38	3.5	11.25	9.25	16.25	8.50	3,853	5.92	3.58	65.4	NC	.00	.0	NEW	fiscal	12-84	7.6	204.0	.0	NC	.00	-100.0	24.5	145.0	.0	-100.0	.00	-100.0			
Garcias Scot	M	2.38	.00	.0	2.38	2.13	6.38	1.63	688	1.15	2.87	-59.9	NE	.00	.0	9 mos.	09-84	12.3	39.8	(.5)	NE	(.08)	NE	42.0	51.6	(.5)	NE	(.08)	NE				
Good Taco	M	.50	.00	.0	0.50	0.44	4.88	.25	254	.86	2.89	-70.2	NE	.00	.0	6 mos.	08-84	.4	100.0	(.3)	NE	(.11)	NE	.8	166.7	(.8)	NE	(.24)	NE				
Hamburg Hamlet	O	13.75	.25	1.9	14.75	13.75	14.50	9.75	5	.07	.17	-58.8	11.9	.00	.0	fiscal	03-84	9.3	2.2	.2	NE	.30	NE	35.5	4.4	.8	NE	1.16	NE				
Hungry Tiger	M	5.38	.13	2.4	5.50	5.13	7.50	3.63	465	1.61	1.82	-.6	28.3	.00	.0	3 mos.	11-84	14.4	-4.6	(.1)	NE	(.04)	NE	14.4	-4.6	(.1)	NE	(.04)	NE				
Intl Dairy Queen	O	45.50	-5.00	-9.9	50.50	45.50	50.50	33.00	66	.33	.26	26.9	12.7	.00	.0	fiscal	11-84	25.8	14.7	1.0	.0	.55	41.0	132.3	17.2	7.7	6.9	3.58	21.8				
Intl King Tab	M	21.75	.00	.0	22.00	21.75	21.88	11.59	274	.96	3.00	-68.0	16.4	.00a	.0	3 mos.	09-84	19.2	6.7	1.1	37.5	.36	20.0	19.2	6.7	1.1	37.5	.36	20.0				
JB's Rest	M	21.13	1.13	5.6	21.50	19.75	21.50	10.38	1,512	6.51	4.01	62.3	17.0	.20	.9	3 mos.	12-84	18.7	41.7	.6	.0	.26	8.3	18.7	41.7	.6	.0	.26	8.3				
Jerrico Inc	M	19.38	.63	3.3	19.63	18.00	19.38	13.00	6,763	4.29	3.42	25.4	14.0	.12	.6	6 mos.	12-84	123.4	9.4	4.1	32.3	.26	30.0	256.3	8.5	10.4	15.6	.86	15.8				
Kapok Cp	A	2.75	-.25	-.3	3.00	2.75	4.25	1.13	271	1.21	.82	47.6	NE	.00	.0	fiscal	09-83	3.1	72.2	(4.0)	NE	(.33)	NE	12.3	7.9	(2.1)	NE	(1.29)	NE				
Karcher Carl	M	18.50	.25	1.4	18.63	18.00	29.63	13.50	747	1.06	3.20	-66.9	11.1	.00	.0	6 mos.	07-84	80.7	17.1	3.3	-2.9	.52	8.3	178.8	19.5	6.9	3.0	1.00	5.3				
Kelly-Johnson	M	1.06	.00	.0	1.13	1.06	8.38	.75	2,053	2.41	5.81	-58.5	NE	.00	.0	3 mos.	06-84	28.3	155.0	(3.7)	-100.0	(.44)	-100.0	28.3	155.0	(3.7)	-100.0	(.44)	-100.0				
Luby's Cafe	N	30.00	.00	.0	30.00	29.50	32.00	23.63	166	.14	.54	-74.1	21.0	.54	1.8	fiscal	08-84	48.7	23.6	5.0	28.2	.41	173.3	174.9	21.4	17.4	25.2	1.43	24.3				
Marcus Corp	M	15.88	.00	.0	16.00	15.88	16.13	11.88	107	.21	.27	-22.2	10.8	.28	1.8	6 mos.	11-84	30.2	4.5	2.0	.0	.39	5.4	63.7	3.6	4.8	2.1	.94	3.3				
Marriott Corp	N	85.25	1.75	2.1	85.50	82.75	86.38	58.50	1,772	.69	.74	-6.8	17.0	.54	.6	fiscal	12-84	1122.2	18.3	43.8	41.3	1.47	32.4	3524.9	18.1	139.8	21.4	5.01	20.7				
Maverick Rest	O	2.75	.00	.0	2.88	2.75																											



Oct. 28, 1983 = 100

Reserving Period

3 mos. - First quarter of fiscal year
6 mos. - First six months of fiscal year
9 mos. - First nine months of fiscal year
fiscal - Fiscal year
NEW - New report since last issue

General Field Estimates

NA - Not available or not applicable.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
a - Under dividend amount, an "a" indicates a stock dividend.
b - Indicates cash pays stock dividend when applied to dividend amount column.

Methods

N - New York Stock Exchange
A - American Stock Exchange
O - NASDAQ Over-the-Counter
M - NASDAQ National Market

Data and Table Provided by Media General Financial Services, Inc., Richmond, Virginia 23219

FINANCIAL NEWS

SPOTLIGHT ON FINANCE

Sluggish January launches 1985 on a troubled foot

By Rick Telberg
Financial Editor

First-hand reports are beginning to emerge adding flesh to government statistics that indicate January may have been one of the worst months for the restaurant industry in years.

U.S. Commerce Department data which showed that sales grew only 3.3% annually in January have now been given new perspective by Labor Department reports that indicate menu prices rose 3.9% annually, discounting a gain into a 0.6% loss. Not since the recession years of 1981-82, has there been a negative month for the industry.

Harsh winter weather, which froze the South and snowed under Texas, and tough comparisons with last year's booming recovery have been blamed for the poor showing.

But an increasing number of operators are also complaining about increased competition and battles for market share, which may indicate that they believe January's troubles go deeper than simply the whims of nature or tricks of the calendar.

Few economists are predicting a recession this year. And 1985 may off to a true-to-form start since industry experts forecast a slow beginning and a big finish for the year. But the vast majority of



business economists now predicts a recession in 1986.

If January's troubles are as deep as the pessimists fear, and if the restaurant industry is an oracle of consumer behavior, the business economists may be right.

How bad was January?

Pancho's Mexican Buffet, a 39-unit cafeteria chain based in Fort Worth, Tex., said that due to bad weather it earned only \$47,654 in January, down from \$81,476 last year.

Saga Corp., a diversified food services company in Menlo Park, Calif., suffered sales and profits so soft in its restaurants that Montgomery Securities analysts in San Francisco shaved future earnings forecasts.

Rax Restaurants of Columbus, Ohio, turned in a January-ending second quarter with 40% more restaurants systemwide than a year ago, but only 7% more revenue.

Rax's average unit volumes were off 9% in the quarter, leading to a \$537,000 deficit at a company that last year was charting one of the headiest growth paths in the industry.

These three companies, all owning a reputation as among the better-managed concerns in the business, expect to recover fully. But they may be only the tip of an iceberg.

Of 87 companies listed on the *Nation's Restaurant News* stock tables recently, 39, or 45%, failed to show earnings growth in their latest reported quarter, earnings declines or, in 21 cases, outright

deficits.

Some are predicting a shakeout in the restaurant industry this year. Joe Lee, president of the General Mills restaurant group, said in this space last week that his organization has disbanded its design and construction division to instead convert failed restaurant sites to Red Lobsters.

Unlike shakeouts in other industries, where companies dissolve in spectacular liquidations, restaurant industry shakeouts are more subtle. In this business lagging performers slow growth to a standstill and leak red ink stemming from high overhead costs until the real estate is converted to a new concept either through new investment or under a new owner.

January may have been as bad as it will get this year. But a rising chorus is beginning to openly worry that the industry is entering a period of painful reappraisal.

STOCK-PICKERS' PICKS: Michael Culp at Prudential-Bache in New York has raised his rating for Wendy's (recent price: \$19.75) a notch. Year-out target price: \$30. His reasons: Ad spending could jump 50% this year in a breakfast blitz; powering a 20% annual growth rate. Smaller competitors beware.

Michael G. Mueller at Montgomery Securities in San Francisco says Transworld Corp. (\$35) is shopping for acquisitions in restaurants, lodging, real estate and financial services with \$200 million in spending power.

Winner's slumps

Year-end profit down to \$1.6M

NASHVILLE — Hurt by subpar sales and high costs in its 184-unit Mrs. Winner's chicken and biscuits fast-food chain, Winners Corp. posted a 43% annual net profit decline, to \$1.6 million for the year ended Dec. 31. However, its revenue rose 22% to \$107.1 million on the year.

Fourth-quarter net dropped 65% from a year ago, declining to \$295,000 while revenue gained 9%, rising to \$27.7 million. Last-quarter income included a \$196,000 one-time gain from a land sale adjacent to corporate offices, with the net losses stemming from the shutdown of three Mrs. Winner's outlets.

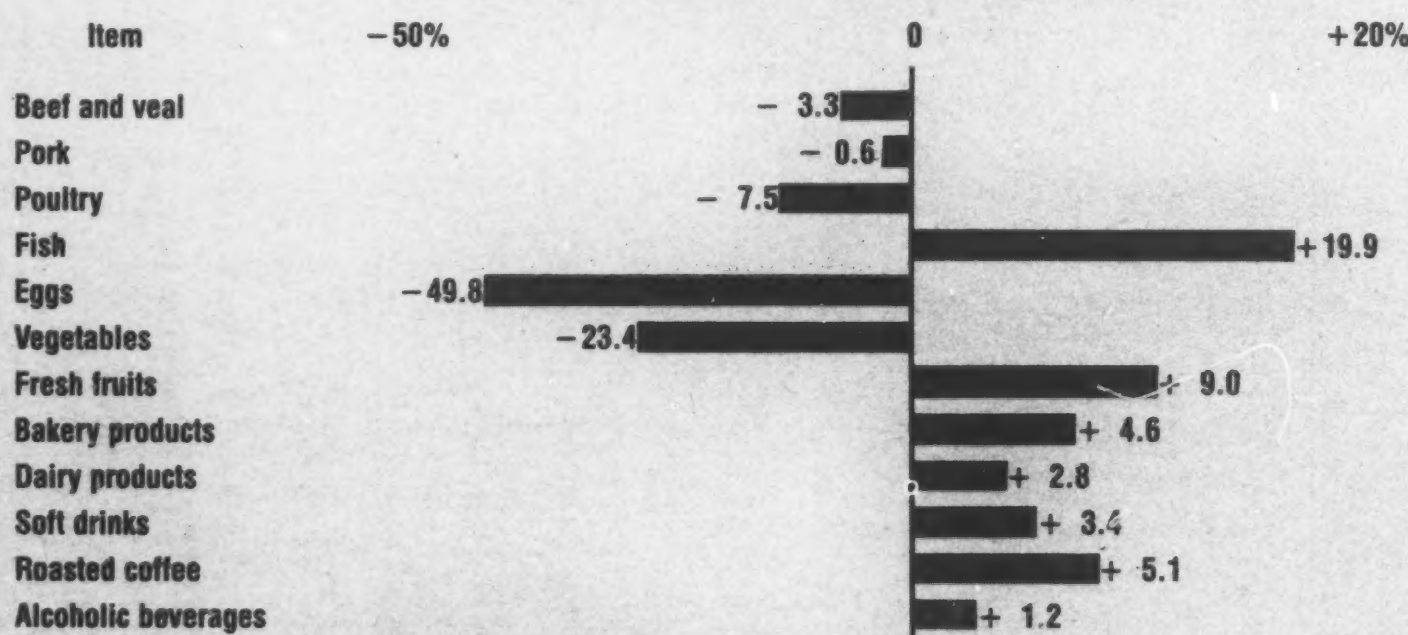
President Buck Hussung said the company was hurt in newer Mrs. Winner's markets as well as by "heightened competition" among fast-food chicken chains and high broiler prices through much of the year. Expansion into new territories has been halted, the company said, as it seeks to boost sales and widen margins.

Hussung also said a fourth-quarter advertising campaign has proved successful in building breakfast sales in several markets.

In the company's 56 franchised Wendy's outlets, same-store sales were up 8% on the year and down 7% in the final quarter.

FOOD COSTS EASE IN JANUARY

(Selected Data Annual Per Cent Change)



Source: U.S. Labor Department, Producer Price Index

Labor Dept.: Food costs up slightly

WASHINGTON — Restaurant industry food costs eased significantly in January as the Producer Price Index for Finished Consumer Foods charted a meager 0.7% annual

increase, the U.S. Labor Department said.

January's fractional rise followed December's 3.8% annual rate and November's 4% rate.

Price drops from figures a year ago for beef, pork, poultry, eggs and most vegetables led the cost relief. Fish prices, however, rose 20% from what they were a year ago.

WALL STREET UPDATE

Index slips 0.5 to 118.9; winners beat losers 2-1

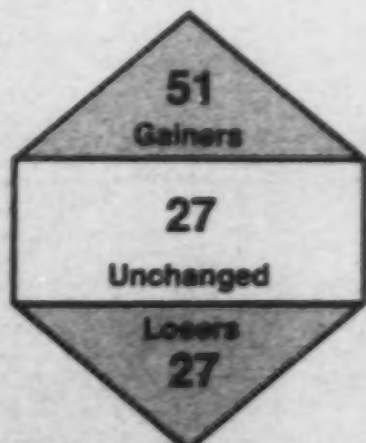
NEW YORK — The Nation's Restaurant News stock index dipped one-half point in the week ended March 1 to close at 118.9.

The slight decline contrasted with a surge in activity in the stock market as a whole. The Dow Jones Industrial Average closed at a record 1,299.36 on Friday, a gain of 15.35 points in the week. The Government announced Friday that leading indicators of economic activity rose 1.7% in January, the largest gain since March 1983, confirming that economic expansion was continuing at a steady pace.

Despite the drop in the 87-item food-service operators index last week, issues advancing in price outnumbered declining issues, 51 to 27, with 27 unchanged, on the broader, 105-stock listing that includes lodging and diversified companies.

Among the leading price gainers last week was Rax Restaurant, up

(See INDEX, page 172)



Cost cutting triples Mr. Steak's net

DENVER — Mr. Steak officials said they were able to more than triple net profit in recently completed first quarter through cost-cutting maneuvers.

The 225-unit midpriced steakhouse chain said it netted \$141,000 in the first quarter ended Dec. 30, compared

with \$44,000 of net profit in last year's first quarter.

First quarter revenue dipped 4% to \$14.7 million as sales from Mr. Steak's meat-packing plant, which the company hopes to sell, declined 14% to \$5.6 million.

"The cost-cutting measures implemented after last year's

disappointing results," said president Mike Fuller, "have contributed to the return to profitability, despite the decrease in revenues."

Fuller, who was named president in September, added, "We are optimistic about being able to improve restaurant revenues."

Rax posts 2nd qtr. loss of \$537,000

COLUMBUS, Ohio — Rax Restaurants reported a net loss of \$537,000 for the second quarter ended Jan. 28, compared to a net profit of \$655,000 for the year earlier period.

Revenue rose 7%, to \$25 million.

For the six-month year-to-year period, the company notched net income of \$339,000, down 84% from last year.

Revenue was \$54.2 million.

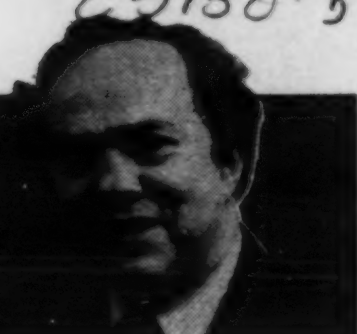
The 388-unit chain said sales were hurt by "unfavorable weather conditions" and lower-than-average volumes at new units in new markets.



Bill Edwards battles
for lodging industry
—Focus/F3-6

The mettle that helps
entrepreneurs succeed
—Page 16

A barrel of a tasting
at The Four Seasons
—Focus/F8



Nation's Restaurant News[®]

The Weekly Newspaper of the Food-Service Industry

Vol. 19, No. 12

Published every Monday by Lebhar-Friedman Inc.; \$1 a copy, \$18 a year

March 18, 1985

Hilton ban dims Atlantic City's future

Operators may drop casino plans

By Peter Romeo

ATLANTIC CITY — The state Casino Control Commission's refusal to grant a gaming permit to Hilton Hotels Corp. will severely handicap future development here, said observers.

Prospective new entrants are expected to drop their plans rather than face a licensing process that many said has grown more arduous and political.

Hilton, meanwhile, will likely sell its \$308 million casino-hotel here because of the denial. Observers said the buyer

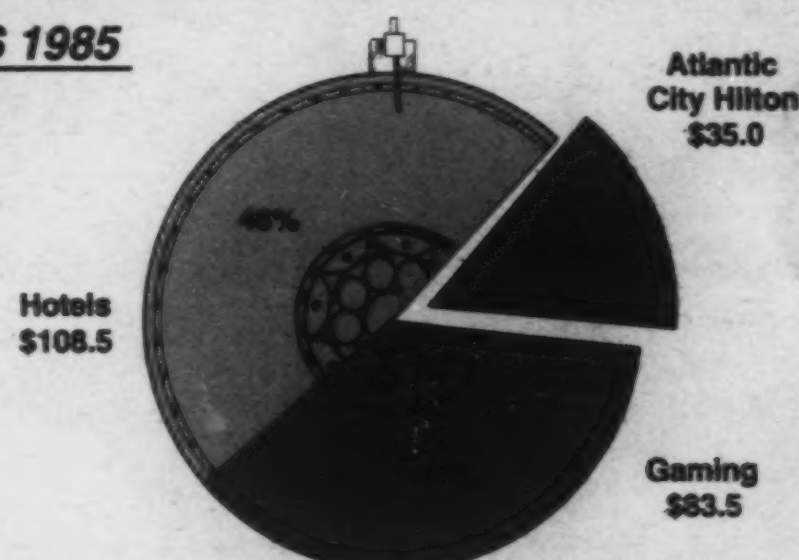
could be Resorts International, whose gaming permit was renewed despite payments by three advisers to the prime minister of the Bahamas.

Hilton was denied a license largely because of past dealings with attorney Sidney R. Korshak, an alleged adviser to Chicago mob figures. He has never been convicted of a crime and is a member in good standing of the Illinois Bar.

Hilton chairman Barron Hilton maintained that the hotel would even-
(See HILTON, page 42)

EFFECT ON HILTON'S 1985 OPERATING INCOME

(Total Operating Income Without
A. C. Casino = \$192 Million)
(In Millions)



Source: Montgomery Securities estimate

Marriott to run Farrell's again

By Alan Liddle

SAN FRANCISCO — Marriott will acquire a minority interest in the troubled 73-unit Farrell's restaurant-ice cream parlor chain it sold in 1982 and will take over the company's front

Bernstein on the lessons of Farrell's past and present, page 7



The Marriott deal should cut Farrell's food costs and reduce administrative expenses.

In return for handling payroll, bookkeeping, acting as an operations consultant and using its size to give Farrell's an advantage in purchasing, Marriott will be paid cost plus 1/4% of sales.

Helmeyer indicated the Marriott deal could cut Farrell's food costs by 1% and reduce its administrative and restaurant supervision ex-
(See FARRELL'S, page 51)

office duties, *Nation's Restaurant News* has learned.

Alex Hehmeyer, Farrell's legal counsel, said the chain will move its headquarters from San Francisco to Bethesda, Md., where Marriott is based. He said that out of 2,500 Farrell's employees, only 24 administrative staffers from San Francisco will be laid off.

A final management agreement between the two companies was to have been signed as this issue went to press.

Saigh tells Senate: Don't sink the SBA

By Ken Rankin

WASHINGTON — The Reagan Administration's plan to abolish the Small Business Administration would slam the door on entrepreneurial innovation in the food-service industry and promote greater market concentration by "giant fast-food chains," independent Missouri restaurateur William Saigh warned Congress.

Testifying in cooperation with the National Restaurant Association, Saigh told the Senate Small Business Committee that food service is already "the toughest damned business in America to survive in," and that the Adminis-

tration's proposal to eliminate Federally subsidized SBA financing programs would make it even more difficult for independents to compete with

Stockman scores SBA loans to restaurants, page 3

large corporate chains.

Saigh, who opened his first Lettuce Leaf salad restaurant eight years ago with a \$50,000 direct SBA loan, told Congress his five-unit chain would not be in existence now without support from that agency.

"I walked into . . . 17 banks and said that I wanted to open
(See SBA, page 51)

INSIDE NRN ITALIAN CONNECTION

U.S. chefs learn from their Roman counterparts. . . . 13

ROTH GOES CAJUN

Chicago restaurateur adds to River Plaza menu 21

INDEX

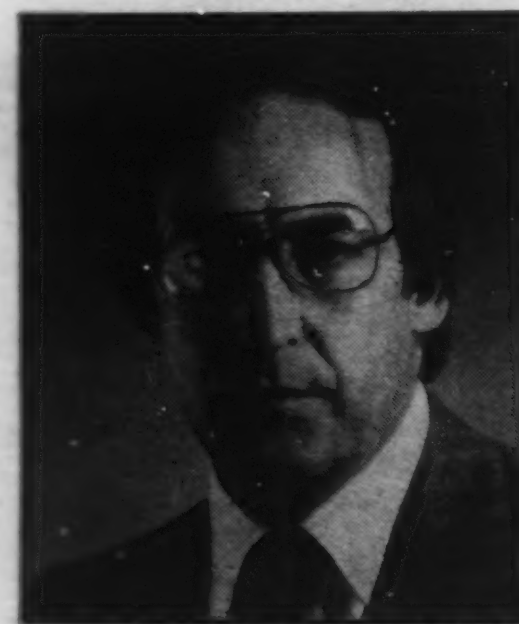
Advertising & Promotions . . . 28	Food Trends 13
Classified 43-50	Internal Security 18
Commodities 4	On Management 18
Financial News 52-64	Opinion 7, 8

Smith buys into Chinese fast feeder

WESTMONT, Ill. — Donald N. Smith has acquired a 10% equity position in Xian, a two-unit Chinese fast-food operation, in exchange for limited consulting work for the founder, Chicago cardiologist Dr. Antonio Q. Chan.

The 43-year-old Smith, who was ousted in January as Diversifoods' president, holds the titles of board vice chairman and strategic planning and development director at Xian. But a longtime aide emphasized that Smith "is not going to personally administer or manage this business. He is not going to have any direct day-to-day responsibilities" in Xian.

Meanwhile, Anthony Cer-



Don Smith

vini, former operations vice president at Diversifoods, was named president and chief operating officer of the 18-month-old Xian, which specializes in fast-service, American-style Chinese food, such as chow mein and chop suey.

Since Smith left Diversifoods, he has been scouting for
(See SMITH, page 51)

California mulls ending happy hours

NRN West Coast Bureau

SACRAMENTO, Calif. — Under legislation introduced March 6 that could become law next Jan. 1, California would become the first state to enact a statutory—as opposed to regulatory—ban of "happy hour" drink promotions. Drink-price incentives have been restricted in at least 14 other states, including six that have imposed outright bans.

Patterned after a similar measure adopted in Massachusetts, the California bill "has an excellent chance of carrying" in the state Senate, said co-author Sen. John Seymour (R-Calif.). Its fate in the state Assembly could depend
(See HAPPY HOUR, page 51)

NEWSPAPER



Telhera examines

CONGRESSIONAL INFO. SERV 101
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

Bobby McGee's develops downscale spinoff

PHOENIX — Bobby McGee's U.S.A. Inc., the operator of specialty dinner-houses located primarily in the Southwest, is expected to unveil a new concept by July 1.

John Schwimmer, executive vice president of the 16-unit, privately held chain, described the theme as a "downscale Bobby McGee's" that may eventually expand nationally through franchising and management contracts.

The concept, which is being developed by an "affiliated company" called Muncy's U.S.A., will place more of an emphasis on food than Bobby McGee's does, said Schwimmer in an interview. Muncy's, he added, has essentially the same management team as McGee's.

It will feature hamburgers, chicken, seafood and salads and have average per-person checks of \$6 to \$8, considerably lower than those at Bobby McGee's.

The 13-year-old McGee's chain, founded by entrepreneur Bob Sikora, who remains as its president and chief executive officer, has positioned itself as primarily a food-and-fun operation. Its service staff is dressed in a variety of costumes depicting comical and historical characters, and its units have large dance floors in the lounge area, an indication that the chain places an emphasis on liquor sales.

The menu features prime rib, steaks, seafood and a salad bar set in a 9-ft. bathtub. The average check is between

\$12.50 and \$13 at the dinner-only restaurants.

Corporate executives said that last year Bobby McGee's had sales of about \$45 million, which represents a 10% increase over those of the previous year. The company's board has set a sales-growth target of between 12% to 15% for 1985.

To achieve that goal, Schwimmer said, the company this year plans to open two freestanding Bobby McGee's units in San Jose and Newark, Calif. Each will seat 400 people. In addition, its unit in neighboring Scottsdale, where the first McGee's was opened in 1971, will move to a residential section of the community, where most of the area's growth is anticipated.



Robert Sikora
president



John Schwimmer
executive vp

While locations for the Muncy's prototype have not been announced, company officials said there will be two units (the first will open July

1) in operation this year at a cost of \$2 million each in construction costs. That contrasts with \$3 million for each new Bobby McGee unit.



Winners Corp. net profit dropped 43% in 1984 as a result of increased competition.

Porter-Shirley new vp at Mrs. Winner's

By Don Jeffrey

BRENTWOOD, Tenn. — Chuck Porter-Shirley, a veteran of the chicken segment leader Kentucky Fried Chicken, has taken charge of operations as executive vice president at up-and-coming 184-unit competitor Mrs. Winner's.

Porter-Shirley joins this Tennessee-based public company, which also franchises Wendy's, after a year in which net profit decreased 43%, to \$1.6 million, as a result of increased competition in its

markets and higher costs.

The 46-year-old executive says his priority will be "to put in some operational systems and [the] organization we need to continue long-term growth." He also says he is "concentrating on sales-building programs."

As a KFC vice president of operations—overseeing a region stretching from Louisville, Ky., to Texas—Porter-Shirley was involved in that chain's successful rollout of chicken nuggets last year.

Winner's is now testing its

own nuggets product, which chief executive and president M. V. Hussung Jr. recently called a "defensive" tactic. Consumer demand has forced many chicken chains to introduce nuggets since McDonald's popularized the product through intensive marketing.

Stepped-up breakfast and lunch programs of the fast-service hamburger, chicken and reduced-calorie chains in Winner's key markets contributed to its slow sales growth. Winners has a strong

(See WINNER'S, page 51)

Roy Rogers licensee tests dinner specials

By David Zuckerman

HARRISBURG, Pa. — While Marriott-owned Roy Rogers professes no system-wide plans to tackle dinner at this time, a 12-unit franchisee—operating with company approval—has begun marketing packaged dinner specials at its Roy Rogers outlets in eastern Pennsylvania.

Davenport's, the franchisee, which last year rolled out breaded fish for the Lenten season, is now offering a "Build-a-Dinner at Roy Rogers" special that twins a fried chicken or fish entrée with a choice of french fries, stuffed baked potato or a salad.

Priced at \$2.79, the offer knocks about \$1 off the standard menu price of those items if purchased separately.

"We're just running this experimentally," said president Steve Davenport. "The arrangement is between myself and Marriott."

A Marriott spokesman confirmed that Davenport's dinner



Recent "Build-a-dinner" ad.

experiment is being conducted with company approval, adding that neither the dinners nor the breaded fish are part of any chainwide plan.

"Some of our larger franchisees are permitted to try different things," the spokesman said. "All these programs, however, must go through Marriott's director of operations."

COMMODITIES

Coffee prices tumble as supply concerns diminish

By Gary S. Friedman

Mirroring the volatility of all commodity markets in general, coffee prices have tumbled after a sharp run-up fueled by concerns over world export supplies.

Brazil, forced to satisfy domestic demand before entering the world markets, was undershipping 20% to 25% of its world coffee quota, as set by the International Coffee Board. Last month the Brazilian Coffee Board attempted to once again become competitive in world markets by lowering its own domestic prices and then trading above the world market levels and, to satisfy its important domestic demand for coffee, released its coffee reserves through auction.

Analysts were divided over its effectiveness, with some expecting prices to stay high, with a to-be-expected price hike passed to the wholesale and retail levels.

Today March futures prices are trading around 1.40-per-lb. against as high as 1.52 only a few weeks ago. Cash prices today are approximately 1.30 against 1.37 during the same period. The spread between the two prices, cash and futures, has narrowed considerably and returned to its more traditional range.

The Brazilian auctions were successful in driving

the domestic price downward. To further encourage Brazilian exports, the Brazilian Coffee Board altered its export controls. The board granted incentives to exporters who shipped up to 45% of their annual volume in the first quarter. The expected incentive was given for the first 10% with a premium on the remaining 35%. That intervention into the marketplace was worth as much as 10¢ a pound to exporters. As a result, much more coffee went into the international market, especially to Europe.

The logical question is whether or not the wholesale and retail price of coffee will reflect the lowered prices and increased supplies now in the marketplace.

The answer lies in the market's expectations of future supply. The International Coffee Board has set the current world quota at 60 million bags of coffee. If the cash price stays at below \$1.30 per pound for more than 15 days, the quota will be reduced to 59 million. In such an event the Brazilian quota loss will be "forgiven," since the quota is applied retroactively to the slack in undershipment.

The last time the quota was reduced was in December 1984, when the price fell below 1.35 for more than 15 days. After the reduction prices went up as supply fell. Fueled by bad weather in Brazil

and uncertainty about the Central American crop, domestic prices in Brazil and world prices went to unexpected levels.

PRICE MOVEMENT AT A GLANCE

	March 3, 1985	Year Ago
Beef, 700-900 lb. Mid-U.S., lb. f.o.b.	\$0.95	\$1.04
Broilers, dressed "A" N.Y. lb.	\$0.5317	\$0.6510
Butter, AA Chgo lb.	\$1.41½	\$1.41¼
Eggs, lrg white, Chgo dz.	\$0.58-61	\$0.90
Flour, HRW, KC, cwt.	\$9.80	\$9.80
Hams, 17-20 lb., Mid-U.S., lb. f.o.b.	\$0.71	\$0.66
Potatoes, md white, 50 lb., f.o.b. Maine	\$2.25	\$3.82½

Source: NRN Research

FINANCIAL NEWS

NRN Index resumes eight-week climb as Dow slips

(Continued from page 54)

post a fourth-quarter loss, was down \$1, to \$13. McDonald's lost \$2.88, to \$59, after a Wall Street analyst lowered his rating to "hold."

With the DJIA trading 11.40 points higher than a year ago, the NRN Index has outperformed the leading market barometer by about 11% over the past 12 months.

International King's Table, up \$3 to a 52 week

high of \$24.75, and Kelly-Johnston, up 13¢ to \$1.19, were ranked second and third on the price winners' list. IKT has agreed to buy the Duff's cafeteria chain from financially strapped Kelly-Johnston.

Good Taco, the week's leading winner, ceased restaurant operations in December.

Calibre Corp. led the losers' list, down 38¢ to \$1. Brock Hotel, which said it expected heavy losses in the latest quarter, lost 50¢, to \$3.

Other losers included Capt. Crab, off 25¢, to \$2.13; Sis Corp., down 50¢, to \$4.50; Victoria Stations, down 38¢, to \$3.63; Beefsteak Charlie's, down 25¢, to \$2.50; Consolidated Products, which owns Steak n Shake, down 38¢, to \$4.63.

Among the price winners, G. D. Ritz's rose 25¢, to \$2.75, and Benihana National, was up \$1.88, to \$21.13, after flirting midweek with its 52 week high of \$21.75.

VOLUME TREND LEADERS

Company Name	Volume Trend Change %	Company Name	Volume Trend Change %
Bob Evans Farms	339.8	Benihana Natl	147.5
Marcus Corp	280.6	Dunkin Donuts	141.9
Piccadilly Caf	203.9	Good Taco	134.5
El Chico	169.9	Ogden Corp	128.1
Hilton Hotels	162.6	Ponderosa Sys	124.0

TOP TEN GAINERS

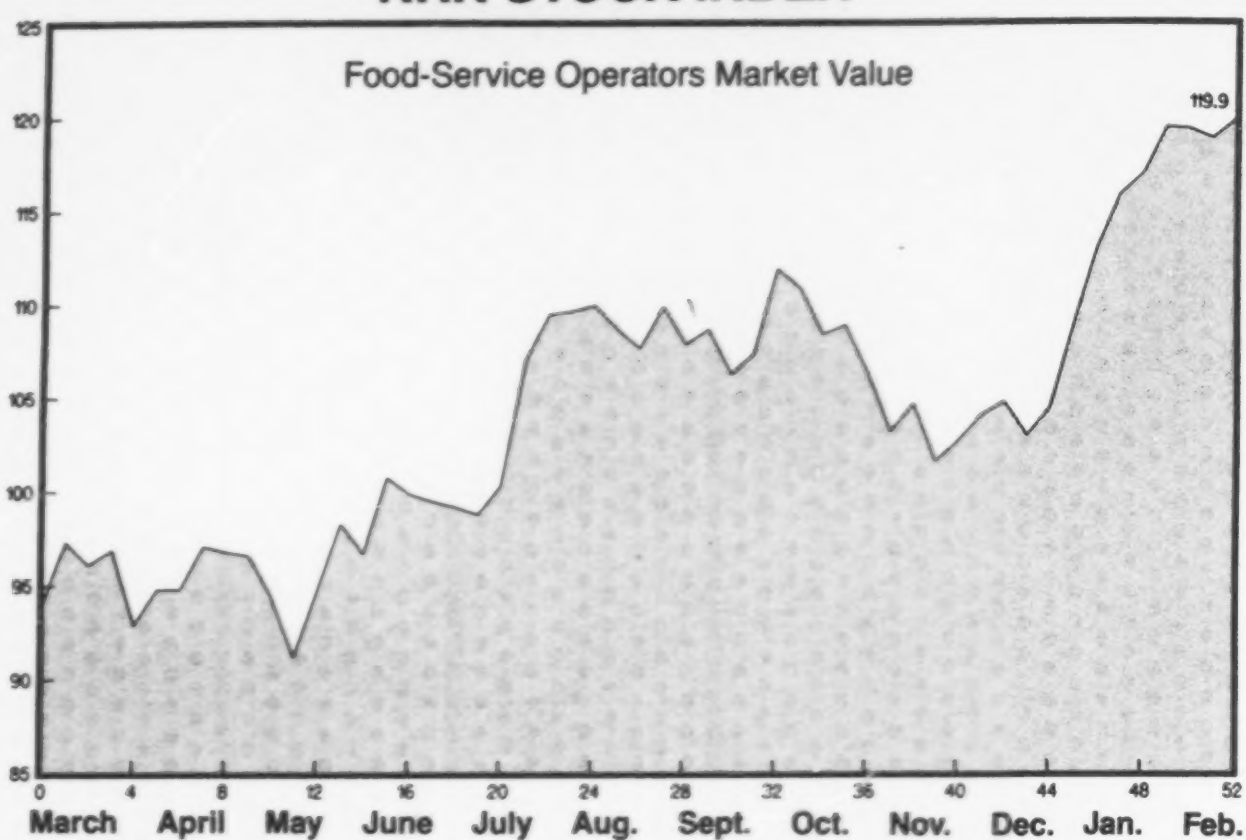
Company Name	Weekly Price Change %	Company Name	Weekly Price Change %
Good Taco	37.5	1 Potato 2	7.7
Intl King Tab	13.8	So Hospitality	7.3
Kelly-Johnston	11.8	Horn & Hardart	7.1
Ritzys G D	10.0	Hungry Tiger	7.0
Benihana Natl	9.7	Nathans	6.7

TOP TEN LOSERS

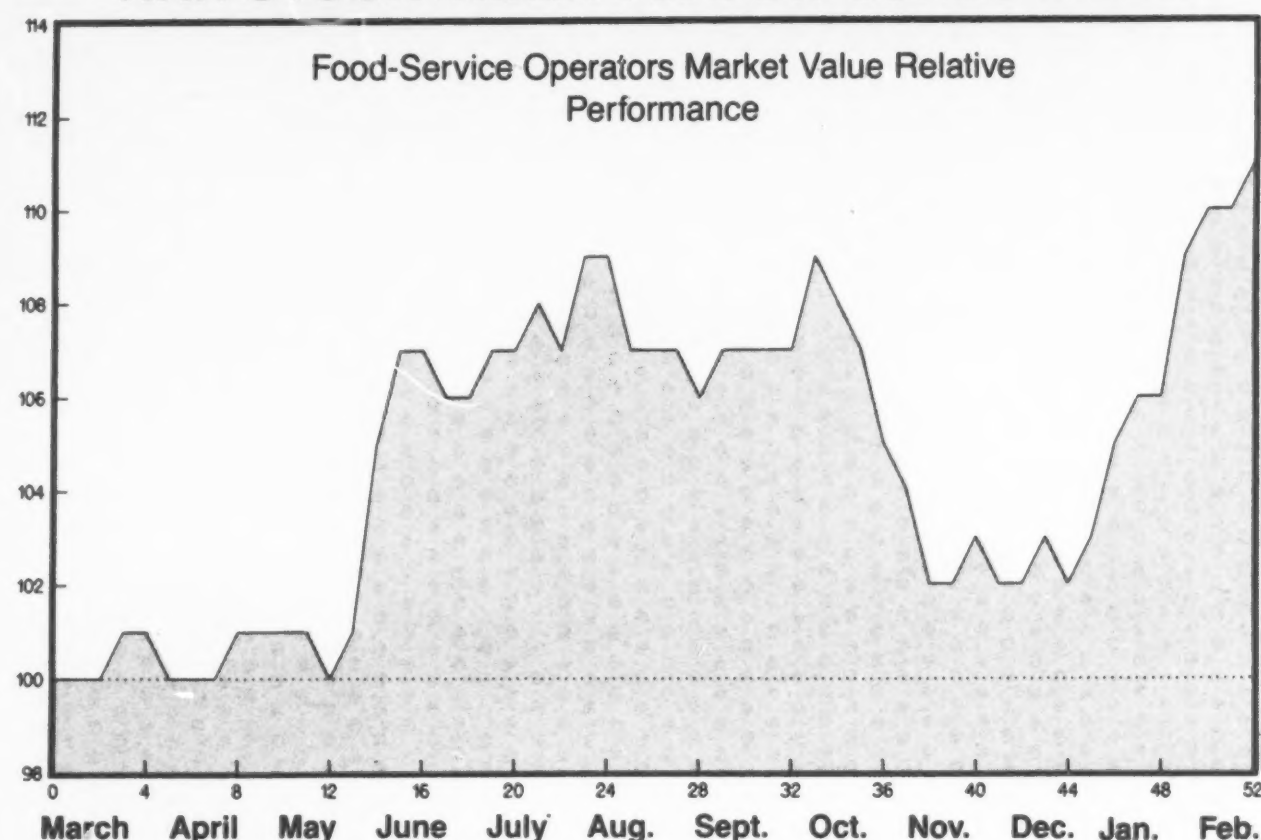
Company Name	Weekly Price Change %	Company Name	Weekly Price Change %
Calibre Cp	-27.3	Victoria Stations	-9.4
Brock Hotel Cp	-14.3	Beefsteak Char	-9.1
Peoples Rest	-11.1	Consol Prods	-7.5
Capt Crab	-10.5	Ponderosa Sys	-7.1
SIS Cp	-10.0	Allegheny Bev	-6.7

Company and Market	Stock Market												Financial Update																				
	Price								Volume				P/E	Indicated		Latest Report			Latest Quarter						Year-to-Date								
	3-08-85 Close	Weekly Change		Weekly Range		52-Week Range		Weekly Shares Traded		12-Week Avg. Vol.	Trend	Amt.		Yld.	New Report	Period	Date Ended	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.					
		Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out								Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
		\$	%	\$	\$	\$	\$	(100)	%	%								\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Food-Service Operators																																	
A&M Food Svcs	M	6.00	.38	6.7	6.50	5.50	7.50	3.50	416	1.17	.92	27.2	18.8	.00	.0	NEW	fiscal	12-84	9.9	20.7	.0	-100.0	.02	-60.0	32.0	26.0	1.1	.0	.32	-20.0			
Acapulco Rests	O	4.13	-.13	-2.9	4.38	4.13	5.00	3.50	163	.66	.62	6.5	16.5	.00	.0	.....	fiscal	10-84	10.3	5.1	.3	NE	.11	NE	38.6	1.8	.6	NE	.25	NE			
Amer Rest	O	4.13	.00	.0	4.38	4.13	6.00	2.38	65	.29	.96	-69.8	21.7	.00	.0	NEW	9 mos.	10-84	4.6	17.9	.1	.0	.02	-60.0	13.6	25.9	.3	.0	.12	-40.0			
Assoc Hosts	M	13.38	-.13	-.9	13.88	13.00	17.13	10.50	1,159	2.62	2.64	-.8	16.1	.12	.9	.....	3 mos.	12-84	22.5	-1.3	.7	-12.5	.16	-11.1	22.5	-1.3	.7	-12.5	.16	-11.1			
Beefsteak Char	A	2.50	-.25	-9.1	2.88	2.50	4.63	1.75	269	.47	.86	-45.3	NE	.00	.0	.....	fiscal	10-84	23.5	7.8	(6.3)	NE	(1.13)	-100.0	92.2	-3.2	(8.0)	NE	(1.43)	-100.0			
Benihana Natl	M	21.13	1.88	9.7	21.75	19.38	21.75	6.00	3,122	10.74	4.34	147.5	27.8	.00	.0	.....	9 mos.	12-84	15.4	208.0	.7	75.0	.23	64.3	39.7	166.4	1.8	63.6	.62	47.6			
Bob Evans Farms	M	19.75	.63	3.3	20.00	19.00	20.25	14.75	7,361	4.53	1.03	339.8	19.2	.30	1.5	.....	6 mos.	10-84	58.1	12.6	4.6	9.5	.28	12.0	112.1	13.3	9.0	8.4	.55	10.0			
Calibre Cp	M	1.00	-.38	-27.3	1.38	1.00	9.00	1.00	93	.31	.53	-41.5	NE	.00	.0	.....	3 mos.	10-84	3.5	9.4	(.7)	NE	(.22)	NE	3.5	9.4	(.7)	NE	(.22)	NE			
Calmy Food	M	13.00	.75	6.1	13.25	12.25	13.00	7.25	1,331	2.93	2.99	-2.0	20.6	.16	1.2	.....	9 mos.	11-84	13.6	24.8	.9	80.0	.19	46.2	38.6	18.0	2.3	53.3	.50	28.2			
Capt Crab	M	2.13	-.25	-10.5	2.38	2.00	6.13	1.38	2,435	1.59	1.45	9.7	NE	.00	.0	.....	fiscal	08-84	1.7	466.7	(.4)	NC	(.03)	NE	5.4	260.0	(1.0)	NC	(.08)	NE			
Carrols Cp	N	10.63	-.50	-4.5	11.25	10.50	11.50	7.13	485	.62	1.13	-45.1	15.2	.07	.7	.....	6 mos.	11-84	36.3	23.5	1.8	63.6	.22	22.2	74.6	21.3	3.9	34.5	.50	4.2			
Chi-Chi's	M	11.00	-.25	-2.2	11.25	10.63	18.25	10.00	7,423	2.76	4.30	-35.8	16.4	.00	.0	.....	6 mos.	10-84	52.3	40.6	4.5	2.3	.16	-15.8	97.5	34.1	9.5	18.8	.35	2.9			
Chili's Inc	M	24.00	-.38	-1.5	24.25	23.75	25.63	12.75	1,448	3.22	2.46	30.9	35.3	.00	.0	.....	6 mos.	12-84	16.0	58.4	1.0	150.0	.20	81.8	31.0	52.7	1.9	137.5	.41	78.3			
Churchs Fr Ch	N	35.88	-.88	-2.4	36.88	34.63	37.00	21.38	3,013	1.60	2.20	-27.3	15.9	.80	2.2	.....	fiscal	12-84	189.8	25.0	14.5	79.0	.77	140.6	545.3	20.0	42.6	34.8	2.26	36.1			
Collins Foods	N	19.88	-.88	-4.2	20.88	19.75	22.13	9.91	479	.55	1.98	-72.2	15.5	.16	.8	.....	6 mos.	10-84	114.8	16.5	5.1	15.9	.39	14.7	229.9	20.3	9.9	19.3	.75	15.4			
Concept Dev	O	8.38	.38	4.7	8.75	8.00	17.69	5.75	134	.26	1.65	-84.2	16.1	.00a	.0	.....	3 mos.	09-84	10.9	19.8	.0	-100.0	.00	-100.0	10.9	19.8	.0	-100.0	.00	-100.0			
Consol Prods	M	4.63	-.38	-7.5	4.75	4.63	8.63	4.63	32	.09	.40	-77.5	13.2	.08	1.7	.....	3 mos.	12-84	15.2	-1.9	.3	-25.0	.10	.0	15.2	-1.9	.3	-25.0	.10	.0			
Consul Restaurant	M	5.38	-.13	-2.3	5.50	5.13	13.50	4.50	420	.93	2.40	-61.3	89.6	.00	.0	.....	6 mos.	11-84	20.9	32.3	(.4)	-100.0	(.11)	-100.0	42.0	32.9	(.4)	-100.0	(.10)	-100.0			
Cracker Barrel	M	14.00	-.25	-1.8	14.00	13.50	23.50	11.75	773	2.17	1.31	65.6	16.9	.14	1.0	NEW	6 mos.	01-85	14.2	19.3	(.2)	-100.0	(.07)	-100.0	30.8	18.9	.6	-33.3	.19	-44.1			
Cucos Inc	O	5.25	.00	.0	5.75	5.25	5.25	2.75	61	.35	.68	-48.5	40.4	.00	.0	.....	3 mos.	09-84	1.7	142.9	.0	-100.0	.03	.0	1.7	142.9	.0	-100.0	.03	.0			
Diversifoods	M	9.88	.25	2.6	10.25	9.50	16.75	8.00	40,073	11.89	6.69	77.7	18.3	.34	3.4	.....	fiscal	12-84	133.7	6.8	(3.9)	NE	(.12)	NE	554.4	14.5	18.3	-10.7	.54	-11.5			
DLites Of Amer	M	12.75	.75	6.3	12.75	12.00	15.50	10.88	1,795	3.56	3.93	-9.4	NM	.00	.0	.....	9 mos.	12-84	2.8	86.7	.2	100.0	.01	33.3	7.5	70.5	.3	50.0	.09	28.6			
Dunkin Donuts	M	27.13	.00	.0	28.00	27.13	28.00	18.38	2,965	6.24	2.58	141.9	13.9	.32	1.2	.....	3 mos.	01-85	140.7	589.7	2.6	13.0	.54	17.4	140.7	589.7	2.6	13.0	.54	17.4			
El Chico	M	10.63	.38	3.7	10.88	10.00	10.88	7.25	1,832	3.94	1.46	169.9	13.6	.00	.0	.....	9 mos.	02-85	20.6	6.7	.9	.0	.19	-5.0	61.8	7.1	2.7	.0	.58	-3.3			
El Torito Rest	N	14.13	-.50	-3.4	14.63	14.00	14.88	9.13	471	.43	.86	-50.0	14.6	.00	.0	.....	fiscal	12-84	61.1	13.6	2.1	16.7	.19	35.7	250.1	18.7	11.1	29.1	.97	42.6			
Fast Food Oper	O	.75	.00	.0	0.88	0.75	1.81	.69	335	.57	.87	-34.5	10.7	.00	.0	NEW	9 mos.	09-84	2.2	46.7	.1	.0	.01	NC	6.0	33.3	.2	.0	.03	50.0			
Flakey Jakes	M	8.13	.25	3.2	8.13	7.75	9.13	5.13	1,704	2.44	2.52	-3.2	NE	.00	.0	NEW	fiscal	12-84	6.0	445.5	(.5)	NE	(.07)	NE	12.6	384.6	(1.2)	NE	(.18)	NE			
Fresher Cooker	O	3.00	.00	.0	3.38	3.00	6.75	3.00	78	.46	.45	2.2	NE	.00	.0	.....	fiscal	12-83	NC	NC	NC	NC	NC	NC	2.4	-4.0	(.9)	NE	(.54)	NE			
Frisch's	A	20.00	.00	.0	20.13	19.38	20.88	12.00	32	.07	.18	-61.1	17.2	.22	1.1	.....	6 mos.	11-84	30.1	9.5	1.2	20.0	.28	33.3	70.6	8.3	2.9	7.4	.66	8.2			
Fuddrucker's Inc	M	10.88	-.25	-2.2	10.88	10.13	16.25	8.50	2,775	4.27	3.75	13.9	NC	.00	.0	.....	fiscal	12-84	7.6	204.0	.0	NC	.00	-100.0	24.5	145.0	.0	-100.0	.00	-100.0			
Garcias Scot	M	2.31	-.06	-2.6	2.38	2.19	6.38	1.63	393	.66	2.49	-73.5	NE	.00	.0	.....	9 mos.	09-84	12.3	39.8	(.5)	NE	(.08)	NE	42.0	51.6	(.5)	NE	(.08)	NE			
Good Taco	M	.69	.19	37.5	0.75	0.44	4.50	.25	1,752	5.91	2.52	134.5	NE	.00	.0	.....	6 mos.	08-84	.4	100.0	(.3)	NE	(.11)	NE	.8	166.7	(.6)	NE	(.24)	NE			
Hambg Hamlet	O	13.75	.00	.0	14.50	13.75	14.50	9.75	2	.03	.17	-82.4	11.9	.00	.0	.....	fiscal	03-84	9.3	2.2	.2	NE	.30	NE	35.5	4.4	.8	NE	1.16	NE			
Hungry Tiger	M	5.75	.38	7.0	5.88	5.38	7.50	3.63	1,121	3.89	1.86	109.1	30.3	.00	.0	.....	3 mos.	11-84	14.4	-4.6	(.1)	NE	(.04)	NE	14.4	-4.6	(.1)	NE	(.04)	NE			
Intl Dairy Queen	O	46.50	1.00	2.2	48.50	46.50	50.50	33.00	21	.10	.25	-60.0	13.0	.00	.0	.....	fiscal	11-84	25.8	14.7	1.0	.0	.55	41.0	132.3	17.2	7.7	6.9	3.58	21.8			
Intl King Tab	M	24.75	3.00	13.8	25.50	21.50	24.75	11.59	1,772	6.22	3.48	78.7	18.6	.00a	.0	.....	3 mos.	09-84	19.2	6.7	1.1	37.5	.36	20.0	19.2	6.7	1.1	37.5	.36	20.0			
JB's Rest	M	20.00	-1.13	-5.3	21.13	19.50	21.50	10.38	1,351	5.82	4.32	34.7	16.1	.20	1.0	.....	3 mos.	12-84	18.7	41.7	.6	.0	.26	8.3	18.7	41.7	.6	.0	.26	8.3			
Jerrico Inc	M	18.50	-.88	-4.5	19.00	18.50	19.38	13.00	7,163	4.54	3.36	35.1	13.4	.12	.6	.....	6 mos.	12-84	123.4	9.4	4.1	32.3	.26	30.0	255.3	8.5	10.4	15.6	.66	15.8			
Kapok Cp	A	2.63	-.13	-4.5	3.13	2.63	4.00	1.13	270	1.20	.78	53.8	NE	.00	.0	.....	fiscal	09-83	3.1	72.2	(4.0)	NE	(.33)	NE	12.3	7.9	(2.1)	NE	(1.29)	NE			
Karcher Carl	M	17.75	-.75	-4.1	18.25	17.50	29.63	13.50	563	.80	3.15	-74.6	10.6	.00	.0	.....	6 mos.	07-84	80.7	17.1	3.3	-2.9	.52	8.3	178.8	19.5	6.9	3.0	1.00	5.3			
Kelly-Johnston	M	1.19	.13	11.8	1.31	1.06	8.00	.75	1,552	1.82	5.40	-66.3	NE	.00	.0	.....	3 mos.	06-84	28.3	155.0	(3.7)	-100.0	(.44)	-100.0	28.3	155.0	(3.7)	-100.0	(.44)	-100.0			
Luby's Cafe	N	29.63	-.38	-1.3	30.00	29.38	32.00	23.63	159	.13	.52	-75.0	20.7	.54	1.8	.....	fiscal	08-84	48.7	23.6	5.0	28.2	.41	173.3	174.9	21.4	17.4	25.2	1.43	24.3			
Marcus Corp	M	16.25	.38	2.4	16.50	15.75	16.25	11.88	696	1.37	.36	280.6	11.1	.28	1.7	.....	6 mos.	11-84	30.2	4.5	2.0	.0	.39	5.4	63.7	3.6	4.8	2.1	.94	3.3			
Marriott Corp	N	81.88	-3.38	-4.0	86.00	81.00	86.38	58.50	1,4																								

NRN STOCK INDEX



NRN STOCK INDEX VS. DOW JONES INDEX



Company and Market	Stock Market												Financial Update																				
	Price								Volume				P/E Ratio	Indicated		Latest Report			Latest Quarter						Year-to-Date								
	3-08-85 Close	Weekly Change		Weekly Range		52-Week Range		Shares Traded	12-Week Avg. Vol.	Trend	Divd. Rate	New Report		Date Period	Date Ended	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.							
		Amt.	Pct.	High	Low	High	Low									Total	% Out	Amt.	Yld.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
		\$	%	\$	\$	\$	\$									(100)	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Old Fashion Fd O	5.00	.00	.0	5.50	5.00	6.25	4.00	33	24	.39	-38.5	9.8	.00	.0	.....	6 mos.	11-84	3.5	34.6	.1	-50.0	.11	-26.7	6.8	36.0	.3	-25.0	.24	-20.0				
Pancho Mex Buffet M	7.38	-.25	-3.3	7.63	7.13	8.25	5.88	2,263	8.34	5.79	44.0	13.2	.13	1.8	.....	3 mos.	12-84	7.9	14.5	.2	.0	.09	12.5	7.9	14.5	.2	.0	.09	12.5				
Peoples Rest M	.50	-.06	-11.1	0.63	0.38	4.88	.25	2,257	2.62	6.31	-58.5	NE	.00	.0	.....	3 mos.	09-84	8.3	-30.3	(3.3)	-100.0	(.39)	-100.0	8.3	-30.3	(3.3)	-100.0	(.39)	-100.0				
Piccadilly Caf M	23.25	-.75	-3.1	24.00	23.25	24.25	16.13	3,326	5.50	1.81	203.9	13.4	.60	2.6	.....	6 mos.	12-84	48.4	8.3	3.0	30.4	.50	28.2	94.8	10.9	5.7	54.1	.95	53.9				
Pizza Inn A	9.38	-.63	-6.3	10.00	9.38	12.75	6.88	188	.62	1.14	-45.6	9.0	.08	.9	.....	9 mos.	09-84	48.6	24.6	.6	-33.3	.20	-33.3	135.6	21.7	2.5	-13.8	.81	-12.9				
Po-Folks M	11.13	.00	.0	11.75	11.00	16.63	8.75	781	1.77	1.02	73.5	15.5	.00	.0	NEW	3 mos.	12-84	30.3	30.0	.6	-25.0	.15	-16.7	30.3	30.0	.6	-25.0	.15	-16.7				
Ponderosa Sys N	13.00	-1.00	-7.1	15.00	12.25	22.88	11.50	7,801	8.13	3.63	124.0	7.6	.40	3.1	.....	9 mos.	11-84	122.8	33.8	2.3	109.1	.22	69.2	366.8	32.0	11.5	32.2	1.28	18.5				
Primo Inc O	3.50	.00	.0	3.75	3.50	5.13	2.38	388	1.09	1.45	-24.8	NE	.00	.0	.....	fiscal	09-84	.9	.0	(.2)	-100.0	(.07)	-100.0	3.8	46.2	(.2)	-100.0	(.08)	-100.0				
Rax Restaurants M	9.50	.50	5.6	9.50	8.75	16.75	8.00	511	.81	1.53	-47.1	14.0	.00	.0	.....	fiscal	07-84	26.9	18.5	1.7	30.8	.27	3.8	92.9	27.4	4.2	61.5	.68	19.3				
Rest Assoc A	8.00	-.50	-5.9	8.75	8.00	8.88	5.38	212	.76	1.32	-42.4	11.0	.00	.0	.....	9 mos.	09-84	35.0	-4.1	.4	-33.3	.14	-39.1	97.8	-7.3	1.0	-23.1	.35	-30.0				
Restaurant Sys M	15.88	.38	2.4	16.50	15.25	16.25	9.00	417	1.80	1.22	47.5	17.8	.00	.0	.....	fiscal	12-84	8.5	13.3	.5	25.0	.21	23.5	36.4	23.0	2.1	50.0	.89	23.6				
Ritzys G D M	2.75	.25	10.0	2.88	2.38	9.00	1.75	1,903	3.67	1.76	108.5	NE	.00	.0	.....	9 mos.	09-84	4.4	83.3	(.5)	NE	(.11)	NE	10.6	103.8	(1.6)	NE	(.31)	NE				
Rusty Pelican M	14.25	.00	.0	14.50	14.00	18.25	11.00	86	.30	2.53	-88.1	19.0	.00	.0	.....	6 mos.	01-85	10.9	43.4	.2	-50.0	.04	-73.3	21.5	40.5	.5	-16.7	.18	-35.7				
Ryans Fam Steak M	17.25	-.50	-2.8	17.50	17.00	17.75	10.84	896	1.39	2.10	-33.8	33.8	.00	.0	.....	fiscal	12-84	9.3	66.1	1.0	42.9	.16	45.5	32.0	66.7	3.3	57.1	.51	45.7				
Saga Corp N	30.38	-.88	-2.8	31.38	30.00	35.50	25.88	1,091	.84	1.91	-56.0	11.9	.52	1.7	.....	6 mos.	12-84	331.1	8.6	13.7	13.2	1.03	8.4	602.7	11.3	19.4	18.3	1.45	11.5				
Sandwich Chef O	8.50	-.25	-2.9	8.75	8.50	11.25	6.75	190	1.52	.96	58.3	13.9	.00	.0	.....	6 mos.	12-84	7.1	14.5	.1	.0	.11	37.5	14.0	13.8	.3	.0	.27	28.6				
Sea Galley M	8.25	.25	3.1	8.25	7.88	11.00	6.50	2,876	7.32	5.33	37.3	NE	.00	.0	.....	9 mos.	09-84	15.7	-14.2	3.0	NE	.76	-17.4	48.3	-11.9	5.3	NE	1.35	1587.5				
Shoney's Inc M	27.13	1.63	6.4	27.13	25.25	27.88	16.22	5,961	2.11	1.44	46.5	18.7	.15	.6	.....	fiscal	10-84	109.8	11.2	8.3	31.7	.65	170.8	469.8	19.6	30.2	29.1	1.45	64.8				
Shoney's South M	15.38	-.13	-.8	15.50	15.00	16.59	11.00	183	.33	1.15	-71.3	13.0	.00	.0	.....	9 mos.	09-84	40.1	14.2	1.8	12.5	.32	23.1	127.3	17.2	5.8	48.7	1.00	19.0				
SIS Cp O	4.50	-.50	-10.0	5.00	4.50	8.50	3.25	89	.57	.99	-42.4	NE	.00	.0	.....	9 mos.	09-84	2.1	61.5	(.1)	-100.0	(.02)	-100.0	5.6	86.7	(.1)	-100.0	(.05)	-100.0				
Sizzler Rest Intl M	18.75	-.75	-3.8	19.75	18.75	20.00	9.25	719	1.06	.99	7.1	15.0	.00	.0	.....	3 mos.	07-84	40.0	11.7	2.5	25.0	.37	27.6	40.0	11.7	2.5	25.0	.37	27.6				
Skippers M	11.75	-.25	-2.1	12.00	11.50	12.13	8.00	775	2.84	1.82	56.0	12.6	.06	.5	.....	fiscal	12-84	20.8	28.4	.9	50.0	.33	50.0	63.1	26.2	2.5	25.0	.93	14.8				
So Hospitality M	5.50	.38	7.3	5.75	5.25	5.88	3.75	1,787	3.73	4.16	-10.3	15.7	.00	.0	.....	6 mos.	11-84	10.3	18.4	.4	33.3	.08	14.3	21.0	25.7	.8	33.3	.16	14.3				
Taco Viva M	10.00	.00	.0	10.25	10.00	11.25	7.00	275	1.20	1.30	-7.7	18.9	.00	.0	.....	6 mos.	11-84	5.6	55.6	.3	200.0	.12	50.0	12.2	74.3	.6	100.0	.26	30.0				
TGI Friday's N	10.88	-.75	-6.5	11.75	10.75	13.13	7.88	497	.44	1.11	-60.4	16.7	.00	.0	.....	fiscal	12-84	75.6	37.5	3.2	88.2	.17	54.5	285.0	24.2	11.9	14.4	.65	.0				
TGIF Texas O	2.25	.00	.0	2.75	2.25	3.75	2.25	12	.08	.26	-69.2	NE	.00	.0	.....	3 mos.	03-84	2.6	18.2	(.1)	NC	(.07)	-100.0	2.6	18.2	(.1)	NC	(.07)	-100.0				
Transworld N	35.25	-.88	-2.4	36.25	35.13	37.63	24.50	9,029	2.76	2.56	7.8	11.2	.40	1.1	.....	fiscal	12-84	522.9	3.0	29.5	NE	.75	-62.1	2002.0	6.0	115.0	NE	3.14	NE				
USACafes M	5.25	.00	.0	5.50	5.13	5.75	2.75	1,980	3.15	3.02	4.3	15.0	.14	2.7	.....	3 mos.	12-84	4.6	15.0	.4	-20.0	.07	-30.0	4.6	15.0	.4	-20.0	.07	-30.0				
Vicorp Restaurants M	25.00	-.75	-2.9	26.25	24.50	26.25	13.25	4,066	6.12	4.22	45.0	18.9	.12	.5	.....	fiscal	10-84	87.2	143.5	2.9	52.6	.45	40.6	242.3	158.3	8.7	81.3	1.32	55.3				
Victoria Stations M	3.63	-.38	-9.4	3.88	3.50	8.00	2.13	570	1.61	4.73	-66.0	NE	.00	.0	.....	6 mos.	09-84	22.2	-3.5	(1.7)	NE	(.47)	NE	45.9	-3.6	(2.5)	NE	(.70)	NE				
Wendys Intl N	21.75	-.75	-3.3	23.00	21.50	23.00	13.13	11,735	2.14	2.48	-13.7	17.4	.28	1.3	.....	fiscal	12-84	249.9	27.0	17.6	18.9	.32	18.5	944.8	32.1	68.7	24.5	1.25	23.8				
Wstn Steer M	10.25	.25	2.5	11.00	10.00	12.00	9.00	38	.31	.45	-31.1	18.0	.20	2.0	.....	9 mos.	11-84	11.2	24.4	.1	-80.0	.05	-87.5	31.0	25.5	.5	-44.4	.38	-54.2				
Winners Cp N	7.00	-.38	-5.1	7.50	7.00	13.38	5.13	422	.94	1.04	-9.6	18.9	.00	.0	.....	fiscal	12-84	28.7	13.9	.3	-66.7	.07	-63.2	108.4	22.9	1.6	-44.8	.37	-43.1				
Hotels, Motels, and Casinos																																	
Brock Hotel Cp N	3.00	-.50	-14.3	3.63	2.63	6.63	2.63	2,035	1.54	1.12	37.5	NE	.10	3.3	.....	9 mos.	09-84	60.0	-26.7	(25.6)	NE	(1.95)	NE	211.0	-10.6	(26.3)	NE	(1.77)	NE				
Hilton Hotels N	58.50	.88	1.5	59.00	55.75	63.38	45.50	9,041	3.65	1.39	162.6	13.5	1.80	3.1	.....	fiscal	12-84	181.7	49.2	46.0	NE	1.77	88.3	686.6	12.3	114.0	32.7	4.33	35.3				
Holiday Inns N	50.50	-1.38	-2.7	52.00	50.13	52.88	35.25	14,879	4.26	4.79	-11.1	14.1	.90	1.8	.....	fiscal	12-84	430.9	9.6	20.6	33.8	.59	40.5	1759.8	11.0	131.0	5.3	3.59	9.5				
Prime Mtr Inn N	31.25	-.63	-2.0	32.38	30.75	32.38	16.38	1,575	1.09	1.28	-14.8	24.4	.12	.4	.....	3 mos.	09-84	47.9	192.1	5.8	26.1	.40	25.0	47.9	192.1	5.8	26.1	.40	25.0				
Ramada Inns N	6.88	-.38	-5.2	7.25	6.75	8.75	5.13	2,847	.77	2.39	-67.8	22.9	.00	.0	.....	9 mos.	09-84	156.3	-3.5	6.0	-65.5	.16	-67.3	448.0	2.3	6.8	74.4	.18	1700.0				
Servico Inc M	18.13	-.88	-4.6																														

FINANCIAL NEWS

SPOTLIGHT ON FINANCE

Steinberg uses 'junk' bonds to revamp Days Inns

By Rick Telberg

Days Inns, the nation's biggest budget-priced motel chain with 320 properties in 30 states, is undergoing a dramatic restructuring under its new owner, Wall Street financier Saul Steinberg.

Steinberg, a wily take-over artist who at the age of 27 made an unsuccessful run at New York's powerful Chemical Bank in 1969, purchased the Atlanta-based motel chain from the heirs of founder Cecil B. Day last September for \$285 million.

Much of his financing was raised through debt securities sometimes called "junk" bonds because they pay higher yields and carry greater risks than traditional corporate bond issues.

Steinberg has put every one of Days Inns' operating assets—its 127 company-owned motels and hotels—on the auction block. In addition, the chain's 240 restaurants, operating next door to the motels mostly as Tasty World and DayBreak restaurants, are undergoing a thorough review that could end in their sale as well.

In just the first three months under Steinberg's Reliance Group, 54 of the chain's 127 company-owned properties were slated for sale to franchisees and investors for \$250 million in cash and



notes. By this September, the company with traditions once so conservative that it resisted selling alcoholic beverages, may be a motel franchisor and manager, instead of an owner.

With all of the company's \$550 million in operating assets sold, Days Inns would be positioned to accelerate growth and increase return on the remaining assets—perhaps a necessity if Steinberg is going to pay off the debt he incurred to buy the chain.

Steinberg's strategy for Days Inns surfaced in documents recently filed with the U.S. Securities and Exchange Commission in Washington. The filing seeks to register \$225 million in junk bonds issued to Steinberg's backers when he was assembling the cash to buy the chain. Those backers are now seeking to market their securities, though probably only the biggest and savviest investors will buy.

What are junk bonds? The Days Inns filing, by showing what Steinberg's backers are seeking to market, offers good examples:

- \$90 million worth of senior notes, paying four points over the three-month Treasury Bill rate, which is currently about 9%;
- \$40 million of three more bond issues, carrying 15.25%, 15.5% and 15.75% coupons, maturing in four to six years;
- \$55 million of 17.5% subordinated debt, due in 1996,
- And \$40 million in preferred stock, denominated

in \$100, paying a floating rate now about 11%.

The SEC documents also reveal for the first time that Days Inns' sellers advanced Steinberg \$30.3 million to help finance their own buyout.

All this leverage has left Days Inns with a balance sheet showing \$29 million of equity and almost \$580 million of long-term debt, if the new preferred is counted as debt. For comparison, La Quinta Motor Inns of San Antonio, Tex., a 130-unit budget chain, has about \$110 million in equity against \$300 million in debt.

But, Steinberg and his backers apparently believe, liquidating assets, accelerating franchising and embarking on management contracts will spell growth enough to pay off the bonds. The documents suggest that Steinberg's strategy could fatten Days Inns' operating margins to about 24% from 11%.

To Steinberg and his backers, it is apparently a risk worth taking.

* * *

STOCK-PICKER'S PICKS: Richard Simon at Goldman, Sachs in New York suggests that proceeds from the sale of hotels could account for half of Holiday Inns' (recent price: \$51.50) per-share earnings this year of \$8.

Due to bad winter weather in January that cut traffic 10% to 12% and delayed new store openings, John Weiss at Montgomery Securities in San Francisco has shaved his earnings forecast for Chi-Chi's.

Stock plummets

Ponderosa sees \$3M 4th qtr. loss

DAYTON, Ohio — Ponderosa Inc. dropped a bombshell on Wall Street when it disclosed that it expected to report a \$3 million loss for the fourth quarter ended February, compared to a net profit last year of \$3.5 million.

Wall Street returned the fire, blasting \$1.75 of Ponderosa's stock price, closing at \$12.88, one of the top losers of the day.

Ponderosa, which operates 437 budget steakhouses and franchises 221 to others, said the loss partly reflects the "prolonged and severe periods of snow and extreme cold" in the company's mainstay Mid-west markets.

But the company also said

that even with good weather the fourth quarter would have been "substantially below" a year ago because of continuing softness in industry sales.

Ponderosa said it expects some recovery this spring but acknowledged that its new fiscal year is already handicapped by tough comparisons with 1985, when breakfast and salad bars were rolled out, and by continuing sluggish sales in the midscale segment.

Ponderosa stock last plunged on Wall Street in October when it said its third quarter earnings would be below analysts' estimates because of heavy start-up expenses from the breakfast and salad bars.

Esteban Foods eyes sale of restaurant division

MINNEAPOLIS — Esteban Foods' directors said they are seeking a buyer for the company's 10-unit restaurant division, explaining they want to concentrate on the food-service business, which manufactures and markets Mexican and other frozen prepared specialty foods to restaurants and institutions.

Included in the possible sale are five company-owned restaurant locations, existing operating agreements with five franchise-owned locations and rights to the Esteban's Restaurant name and concept.

Horn & Hardart ends qtr. with 32% net profit drop

NEW YORK — Horn & Hardart Co., owner of the 315-unit Bojangles' chain and a mail-order retailing operation, said net profit in the quarter ended Dec. 31 was \$2.96 million, a 32% year-to-year decline.

The final quarter's revenue slipped 7% to \$93.9 million.

For the year, Horn & Hardart's earnings fell 29% to \$9.5 million while revenue rose 5% to \$363.8 million.

The company booked a one-time gain of \$3 million in the fourth quarter from the sale of investment securities, which offset a loss reserve for the planned closing or sale of nine chicken-and-biscuit outlets in the rural areas of east Texas and central Louisiana. The

year's gain was \$5.3 million.

In 1983 the company booked a one-time gain of \$592,000 for the final quarter and \$2.6 million for the year, citing the same reasons.

Horn & Hardart said its 1984 results were hurt by its mail-order business, Hanover House, where operating profit fell to \$3.6 million from \$14.2 million in 1983.

Bojangles' finished the year with 315 units, 175 of them franchised, up from a total 215 last year, when 116 were franchised, said H&H president John Gerlach.

Franchisees failed to add as many new units as had been expected, Gerlach said, because high poultry prices narrowed margins.

G. D. Ritzy suffers \$2.7M net loss

COLUMBUS, Ohio — Heavy losses from the closing of eight company operated restaurants and lower-than-expected unit volumes chain-wide brought G. D. Ritzy's a \$2.7 million loss in the fourth quarter ended Dec. 30, the company said. For the same

period in 1983, the company earned a net profit of \$40,000.

Revenue for the period was \$3.3 million, up 8.8% over year-earlier results.

For the year, the 84-unit ice cream and restaurant chain lost \$4.3 million, as opposed to a loss of \$809,000 last year.

Sea Galley net reaches \$8.6M on stock sales

MOUNTLAKE TERRACE, Wash. — Hoisted by a \$7.7 million pretax gain from the sale of Flakey Jake's stock, Sea Galley Stores Inc. turned an \$8.6 million net profit for the year ended Dec. 30, reversing the previous year's \$6.7 million deficit.

Sales at the 47-unit seafood dinnerhouse chain declined 7% from 1983 to \$66.2 million, reflecting lower unit-level volumes, the company said. Operating profit from the restaurants fell 20% to \$1.6 million.

Separately, Flakey Jake's Inc. of Bellevue, Wash., reported an annual net loss of \$1.2 million on \$12.6 million in sales at the 25-unit chain.

Sea Galley spawned Flakey Jake's in March 1983 but has been gradually reducing its stake in the offshoot. In February, Sea Galley owned 19% of Flakey Jake's.

Sea Galley's final quarter showed a continuation of soft traffic counts, though sale of Flakey Jake's stock helped it report \$2.5 million of net profit, vs. a \$1.1 million loss the year before. Sea Galley's fourth quarter revenues rose 8% to \$17.9 million.

Flakey Jake's fourth quarter showed a \$495,000 loss, compared with a \$454,000 net loss the year before, on revenue of \$6 million.

Sea Galley's 1983 results were hurt by \$7.7 million in write-offs stemming from the sale of the company's processing and distribution operations.

After an investor group raised its stake in Flakey Jake's to 25%, the leader of the group, Pizza Hut co-founder Frank Carney, was named Flakey Jake's chairman.

WALL STREET UPDATE

McDonald's, Ponderosa slip as Index inches up

NEW YORK — Resuming its eight-week rally, the Nation's Restaurant News Food Service Operators Stock Index rose one point amid a declining market, to close at 119.9 on Friday, March 8.

All leading market barometers were down in the same week, with the Dow Jones Industrials Average dropping 29.70, to 1269.66. Analysts again blamed fears of rising interest rates and a falling dollar.

On the three-tier NRN listing, losers outnumbered winners by 57 to 30, with 18 unchanged. On the 87-stock listing, which makes up the NRN market-value index, 44 were down, 26 up and 17 unchanged.

Issues trading on lighter volume than their 12-week averages outnumbered heavy traders 3 to 2.

Notable among the losers were Ponderosa and McDonald's. Ponderosa, which said it expected to

(See INDEX, page 52)

